



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION I
JFK FEDERAL BUILDING
15 NEW SUDBURY STREET, ROOM 2425
BOSTON, MA 02203

June 26, 2012

Report Number: A-01-12-00008

JudyAnn Bigby, M.D.
Secretary
Executive Office of Health and Human Services
One Ashburton Place, 11th Floor
Boston, MA 02108

Dear Dr. Bigby:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Massachusetts Medicaid Payments to Cedar Hill Health Care Center Did Not Always Comply With Federal and State Requirements*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Curtis Roy, Audit Manager, at (617) 565-9281 or through email at Curtis.Roy@oig.hhs.gov. Please refer to report number A-01-12-00008 in all correspondence.

Sincerely,

/Michael J. Armstrong/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MASSACHUSETTS MEDICAID
PAYMENTS TO CEDAR HILL
HEALTH CARE CENTER DID NOT
ALWAYS COMPLY WITH FEDERAL AND
STATE REQUIREMENTS**



Daniel R. Levinson
Inspector General

July 2012
A-01-12-00008

Office of Inspector General

<http://oig.hhs.gov>

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

The Massachusetts Executive Office of Health and Human Services, Office of Medicaid (State agency), is responsible for administering MassHealth, the Massachusetts Medicaid program, in compliance with Federal and State statutes and administrative policies. The State agency reimburses nursing homes based on an established per diem rate for services provided to Medicaid beneficiaries. Pursuant to Medicaid requirements, the State agency must use certain additional resources that a beneficiary has, including Social Security payments, to reduce Medicaid payments to nursing homes. The State agency determines the amount of the beneficiary's contribution during the financial eligibility process and enters this amount into its computer system. The beneficiary's contribution is remitted to the nursing home each month.

When the State agency reimburses the nursing home and does not reduce the Medicaid per diem payment to the nursing home by the amount of the beneficiary's contribution, the nursing home could receive overpayments. Pursuant to Medicaid requirements, the nursing home must return any overpayments to the State Medicaid program, which in turn is required to refund the Federal share to the Centers for Medicare & Medicaid Services (CMS) on its Form CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program.

Cedar Hill Health Care Center (Cedar Hill) is a Massachusetts certified Medicare and Medicaid nursing home provider located in Randolph, Massachusetts.

OBJECTIVE

Our objective was to determine whether the State agency made Medicaid payments to Cedar Hill in accordance with Federal and State requirements from January 2006 through March 2012.

SUMMARY OF FINDING

The State agency generally made Medicaid payments in accordance with Federal and State requirements to Cedar Hill. However, the State agency did not always adjust its Medicaid per diem payments to Cedar Hill by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions. As a result, the State agency's Federal claim was overstated by a total of \$32,463 (\$17,896 Federal Share). We attributed the incorrect Medicaid payments to clerical and billing errors.

RECOMMENDATIONS

We recommend that the State agency:

- collect overpayments totaling \$32,463 from Cedar Hill and refund the Federal share of \$17,896 and

- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

CEDAR HILL HEALTH CARE CENTER COMMENTS

In written comments on our draft report, Cedar Hill agreed with our finding. Cedar Hill's comments are included in their entirety as Appendix B.

STATE AGENCY COMMENTS

In written comments on our draft report, the State Agency agreed with our finding. The State agency's comments are included in their entirety as Appendix C.

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INTRODUCTION

BACKGROUND

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administer the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. The Massachusetts Executive Office of Health and Human Services, Office of Medicaid (State agency), is responsible for administering MassHealth, the Massachusetts Medicaid program, in compliance with Federal and State statutes and administrative policies.

The State agency reimburses nursing homes based on an established per diem rate for services provided to Medicaid beneficiaries. Pursuant to Medicaid requirements, the State agency must use certain additional resources that a beneficiary has, including Social Security payments, to reduce its Medicaid payments to nursing homes. The State agency determines the amount of the beneficiary's contribution to the cost of care during the financial eligibility process and enters this amount into its computer system. The beneficiary's cost-of-care contribution is remitted to the nursing home each month.

When the State agency does not reduce the Medicaid per diem payment to the nursing home by the amount of the beneficiary's contribution, the nursing home could receive overpayments. Pursuant to Medicaid requirements, the nursing home must return the overpayments to the State Medicaid program, which in turn is required to refund the Federal share to CMS on its Form CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program.

Cedar Hill Health Care Center (Cedar Hill) is a Massachusetts certified Medicare and Medicaid nursing home provider located in Randolph, Massachusetts.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency made Medicaid payments to Cedar Hill in accordance with Federal and State requirements from January 2006 through March 2012.

Scope

For the period January 2006 through March 2012, we reviewed Medicaid accounts that were at risk for having overpayments. We limited our review of internal controls to obtaining an understanding of Cedar Hill's procedures for reviewing accounts and reporting overpayments to the Medicaid program.

We performed fieldwork from April through May 2012 at Cedar Hill in Randolph, Massachusetts; the State agency in Boston, Massachusetts; and the CMS Regional Office in Boston, Massachusetts.

Methodology

To accomplish our objective, we:

- reviewed State and Federal regulations pertaining to overpayments,
- worked with Cedar Hill officials to identify credit balances in the accounting records that were potentially overpayments,
- reviewed patient accounts to determine whether overpayments had occurred,
- determined the cause of the overpayments, and
- coordinated our audit with officials from the State agency.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATIONS

The State agency generally made Medicaid payments in accordance with Federal and State requirements to Cedar Hill. However, the State agency did not always adjust its Medicaid per diem payments to Cedar Hill by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions. As a result, the State agency's Federal claim was overstated by a total of \$32,463 (\$17,896 Federal Share). We attributed the incorrect Medicaid payments to clerical and billing errors.

FEDERAL AND STATE MEDICAID REQUIREMENTS

Pursuant to 42 CFR § 435, the State agency must reduce its payment to an institution for services provided to a Medicaid-eligible individual by the amount that remains after adjusting the individual's total income for a personal needs allowance and other considerations that the regulation specifies. MassHealth regulations at 450.316 note that all resources available to a member, including but not limited to health and casualty insurance, must be coordinated and applied to the cost of medical services provided by MassHealth.

UNADJUSTED NURSING HOME PAYMENTS

The State made 48 overpayments to Cedar Hill from January 2006 through March 2012 (see Appendix A). Specifically, the State agency did not adjust its Medicaid payments to Cedar Hill by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions.

An Example of a Medicaid Overpayment for One Beneficiary

Mrs. F was a patient at Cedar Hill during August 2009. Based on her other resources, the State agency calculated Mrs. F's cost-of-care contribution to be \$1,000 a month. The State agency determined that the nursing home was entitled to a monthly payment of \$5,900. Because of Mrs. F's \$1,000 cost-of-care contribution, the State agency was responsible for only \$4,900 of the \$5,900 nursing home costs. However, the nursing home received a total of \$6,900 (\$5,900 from the State agency and \$1,000 from Mrs. F), because the State agency's computer system did not adjust the payment amount to take into consideration for Mrs. F's cost-of-care contribution. Thus, the nursing home received an overpayment of \$1,000 (\$6,900 minus \$5,900) for Mrs. F's care for the month of August.

AMOUNT OWED TO THE FEDERAL GOVERNMENT

As a result of the overpayments, the State agency's Federal claim for Medicaid payments made to Cedar Hill for the period January 2006 through March 2012 was overstated by a total of \$32,463 (\$17,896 Federal share).

CAUSE OF UNREPORTED OVERPAYMENTS

We attributed the 48 incorrectly reimbursed Medicaid payments to clerical and billing errors. State agency officials informed us that they have recently implemented a new computer system that will reduce future clerical and billing errors.

RECOMMENDATIONS

We recommend that the State agency:

- collect overpayments totaling \$32,463 from Cedar Hill and refund the Federal share of \$17,896 and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

CEDAR HILL HEALTH CARE CENTER COMMENTS

In written comments on our draft report, Cedar Hill agreed with our finding. Cedar Hill's comments are included in their entirety as Appendix B.

STATE AGENCY COMMENTS

In written comments on our draft report, the State Agency agreed with our finding. The State agency's comments are included in their entirety as Appendix C.

APPENDIXES

APPENDIX A: MEDICAID OVERPAYMENTS TO CEDAR HILL HEALTH CARE CENTER BY CALENDAR YEAR

Calendar Year	Number of Overpayments	Total Overpayments
2006	1	687
2007	3	1,351
2008	10	7,497
2009	2	284
2010	8	9,754
2011	20	9,678
2012	4	3,212
TOTAL	48	\$32,463

APPENDIX B: CEDAR HILL HEALTH CARE CENTER COMMENTS

49 Thomas Patten Drive
Randolph, MA 02368



781.961.1160
Fax 781.963.5744

June 27, 2012

Michael J. Armstrong
Regional Inspector General for Audit Services
JFK Federal Building
15 New Sudbury Street, Room 2425
Boston, MA 02203

Re: Report Number: A-01-12-00008

Dear Mr. Armstrong,

We would like to thank you for the opportunity to comment on the Office of the Inspector General Audit done at Cedar Hill Health Care. Cedar Hill agrees with the reports findings and find that no comment is needed.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa M. Coppola", is written in black ink.

Lisa M. Coppola
Administrator
Cedar Hill Health Care Center
49 Thomas Patten Drive
Randolph, MA 02368

APPENDIX C: STATE AGENCY COMMENTS



DEVAL L. PATRICK
Governor

TIMOTHY P. MURRAY
Lieutenant Governor

*The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Office of Medicaid
One Ashburton Place
Boston, MA 02108*



JUDYANN BIGBY, M.D.
Secretary

JULIAN J. HARRIS, M.D.
Medicaid Director

July 16, 2012

Michael J. Armstrong
Regional Inspector General, Audit Services
HHS/OIG/OAS
Region I
JFK Federal Building
Boston, MA 02203

RE: Audit Report No: A-01-12-00008

Dear Mr. Armstrong:

Thank you for the opportunity to review and comment on Draft Audit Report No: A-01-12-00008 "Massachusetts Medicaid Payments to Cedar Hill Health Care Center Did Not Always Comply with Federal and State Requirements".

Our responses to the report's specific recommendations are as follows:

Recommendation:

- 1) Collect overpayments totaling \$32,463 from Cedar Hill and refund \$17,896, Federal share of these payments, to CMS on the next quarterly CMS-64.

Response: We are in agreement with this finding and will follow the procedures described in state Medicaid regulations at 130 CMR 450.237 to collect the overpayments from the provider. Under 130 CMR 450.237, the provider has a due process right to contest the overpayment, including the right to request an adjudicatory hearing and judicial review.

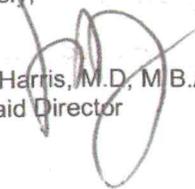
MassHealth will need the OIGs working papers identifying the specific claims in order to undertake collection of the overpayments, notify Cedar Hill and if required, defend the overpayment amounts should Redstone contest the overpayment notice. If Cedar Hill does not contest the overpayment collection or does not prevail in contesting this overpayment, MassHealth will ensure that the EOHHS' Federal Revenue Unit will return the Federal share on the appropriate CMS-64.

Recommendation:

- 2) Continue agency efforts to ensure that Medicaid overpayments to nursing homes continue to be identified, collected and refunded.

Response: MassHealth is in agreement with this recommendation and will ensure that periodic reviews and audits continue to be conducted to identify, collect and refund overpayments.

Sincerely,


Julian Harris, M.D., M.B.A., M.Sc.
Medicaid Director