

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

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

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



Michael J. Armstrong
Regional Inspector General

October 2012
A-01-12-00010

Office of Inspector General

<http://oig.hhs.gov>

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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 on its Form CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program.

Millbury Health Care Center (Millbury) is a Massachusetts certified Medicare and Medicaid nursing home located in Millbury, Massachusetts.

OBJECTIVE

Our objective was to determine whether the State agency made Medicaid payments to Millbury in accordance with Federal and State requirements from January 2009 through April 2012.

SUMMARY OF FINDING

Massachusetts Medicaid payments to Millbury did not always comply with Federal and State requirements. The State agency did not always adjust its Medicaid per diem payments to Millbury 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 \$46,372 (\$25,664 Federal share). We attributed the incorrect Medicaid payments to clerical and billing errors.

RECOMMENDATIONS

We recommend that the State agency:

- collect overpayments totaling \$46,372 from Millbury and refund the Federal share of \$25,664 and

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

MILLBURY HEALTH CARE CENTER COMMENTS

In written comments on our draft report, Millbury agreed with our finding. Millbury'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) administers 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.

Millbury Health Care Center (Millbury) is a Massachusetts certified Medicare and Medicaid nursing home located in Millbury, Massachusetts.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency made Medicaid payments to Millbury in accordance with Federal and State requirements from January 2009 through April 2012.

Scope

For the period January 2009 through April 2012, we reviewed Medicaid accounts that were at risk for having overpayments. We limited our review of internal controls to obtaining an understanding of Millbury's procedures for reviewing accounts and reporting overpayments to the Medicaid program.

We performed fieldwork during July 2012 at Millbury in Millbury, 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 Millbury 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

Massachusetts Medicaid payments to Millbury did not always comply with Federal and State requirements. The State agency did not always adjust its Medicaid per diem payments to Millbury 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 \$46,372 (\$25,664 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 agency made 97 overpayments to Millbury from January 2009 through April 2012 (see Appendix A). Specifically, the State agency did not adjust its Medicaid payments to Millbury 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

Ms. N was a patient at Millbury during August 2010. Based on her other resources, the State agency calculated Ms. N's cost-of-care contribution to be \$300 a month. The State agency determined that the nursing home was entitled to a monthly payment of \$2,500. Because of Ms. N's \$300 cost-of-care contribution, the State agency was responsible for only \$2,200 of the \$2,500 nursing home costs. However, the nursing home received a total of \$2,800 (\$2,500 from the State agency and \$300 from Ms. N) because the State agency's computer system did not adjust the payment amount to take into consideration Ms. N's cost-of-care contribution. Thus, the nursing home received an overpayment of \$300 (\$2,800 minus \$2,500) for Ms. N's care for the month of August.

AMOUNT OWED FEDERAL GOVERNMENT

As a result of the overpayments, the State agency's Federal claim for Medicaid payments made to Millbury for the period January 2009 through April 2012 was overstated by a total of \$46,372 (\$25,664 Federal share).

CAUSE OF UNREPORTED OVERPAYMENTS

We attributed the 97 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 \$46,372 from Millbury and refund the Federal share of \$25,664 and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

MILLBURY HEALTH CARE CENTER COMMENTS

In written comments on our draft report, Millbury agreed with our finding. Millbury'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 MILLBURY HEALTH CARE
CENTER BY CALENDAR YEAR**

Calendar Year	Number of Overpayments	Total Overpayments
2009	16	4,169
2010	25	12,362
2011	35	24,909
2012	21	4,932
TOTAL	97	\$46,372

APPENDIX B: MILLBURY HEALTH CARE CENTER COMMENTS

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Millbury, MA 01527



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August 16, 2012

Report Number: A-01-12-00010

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

Dear Mr. Armstrong;

We are in agreement with your findings relating to the \$46,372 in total overpayments for calendar years 2009 through 2012.

Thank you.

Sincerely,

A handwritten signature in black ink that reads "Kristine A. Binette".

Kristine A. Binette
Administrator

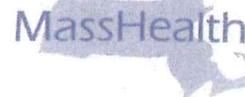
APPENDIX C: STATE AGENCY COMMENTS



DEVAL L. PATRICK
Governor

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The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Office of Medicaid
One Ashburton Place
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JUDYANN BIGBY, M.D.
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Medicaid Director

September 18, 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-01-12-00010

Dear Mr. Armstrong,

Thank you for the opportunity to review and comment on Draft Audit Report No: A-01-12-00010 "Massachusetts Medicaid Payments to Millbury 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 \$46,372 from Millbury and refund \$25,664, the 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.

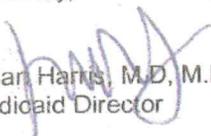
MassHealth will need the OIGs working papers identifying the specific claims in order to undertake collection of the overpayments, notify Millbury and if required, defend the overpayment amounts should Millbury contest the overpayment notice. If Millbury does not contest the overpayment collection or 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