

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**MASSACHUSETTS MEDICAID  
PAYMENTS TO GOLDEN LIVING  
CENTERS 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](mailto:Public.Affairs@oig.hhs.gov).*



George A. Nedder  
Acting Regional  
Inspector General

August 2013  
A-01-13-00007

# ***Office of Inspector General***

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## EXECUTIVE SUMMARY

*Massachusetts did not always adjust its Medicaid per diem payments to Golden Living Centers by the amount of beneficiaries' cost-of-care contributions, resulting in an overstatement of approximately \$59,000 (\$30,000 Federal share) from January 2010 through December 2012.*

### WHY WE DID THIS REVIEW

Previous Office of Inspector General reviews found Medicaid overpayments to providers because they did not adjust Medicaid per diem claims by the amount of beneficiaries' cost-of-care contributions. Medicaid is the payer of last resort, and providers must identify and refund overpayments they have received.

The objective of this review was to determine whether the Massachusetts Executive Office of Health and Human Services, Office of Medicaid (State agency), made Medicaid payments to Golden Living Centers in accordance with Federal and State requirements from January 2010 through December 2012.

### BACKGROUND

The 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. Medicaid requirements state that 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. Medicaid requirements state that the nursing home must return any overpayments to the State Medicaid program, which in turn must 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.

Golden Living Centers has 17 Medicare and Medicaid certified nursing facilities in Massachusetts. This report covers payments to the following 17 Golden Living Centers facilities: Attleboro, Chetwynde, Cohasset, Dedham, Dexter House, Fitchburg, Garden Place, Gloucester, Heathwood, Hermitage, Lexington, Melrose, Norwood, Oak Hill, Plymouth, Wedgemere, and West Newton.

## **WHAT WE FOUND**

Massachusetts Medicaid payments to Golden Living Centers did not always comply with Federal and State requirements. The State agency did not always adjust its Medicaid per diem payments to Golden Living Centers 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 \$59,135 (\$29,567 Federal share). We attributed the incorrect Medicaid payments to clerical and billing errors.

## **RECOMMENDATIONS**

We recommend that the State agency:

- collect overpayments totaling \$59,135 from Golden Living Centers and refund the Federal share of \$29,567;
- ensure that Golden Living Centers receives applicable credit for any overpayments it returned during or after our audit; and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

## **GOLDEN LIVING CENTERS COMMENTS**

In the written comments on our draft report, Golden Living Centers stated, "While the identified credit balances of \$59,134.80 were overpayments at one time, items totaling \$28,753.53 have either been corrected or are in the process of being corrected." Golden Living Centers also stated that we audited accounts that were paid by hospice agencies and insurance companies and that we do not have evidence that the State made overpayments to these entities.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

We acknowledge Golden Living Centers' efforts to correct overpayments. We maintain the payments did not comply with Medicaid billing requirements.

## **STATE AGENCY COMMENTS**

In the written comments on our draft report, the State agency agreed with our finding.

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## INTRODUCTION

### WHY WE DID THIS REVIEW

Previous Office of Inspector General reviews found Medicaid overpayments to providers because they did not adjust Medicaid per diem payments by the amount of beneficiaries' cost-of-care contributions. Medicaid is the payer of last resort, and providers must identify and refund overpayments they have received.

### OBJECTIVE

Our objective was to determine whether the Massachusetts Executive Office of Health and Human Services, Office of Medicaid (State agency), made Medicaid payments to Golden Living Centers in accordance with Federal and State requirements from January 2010 through December 2012.

### BACKGROUND

#### The Medicaid Program

Title XIX of the Social Security Act (the Act) requires the Medicaid program to provide medical assistance to certain 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 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. Medicaid requirements state that 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. Medicaid requirements state that 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.

## **Golden Living Centers**

Golden Living Centers has 17 Medicare and Medicaid certified nursing facilities in Massachusetts. This report covers payments to the following 17 Golden Living Centers facilities: Attleboro, Chetwynde, Cohasset, Dedham, Dexter House, Fitchburg, Garden Place, Gloucester, Heathwood, Hermitage, Lexington, Melrose, Norwood, Oak Hill, Plymouth, Wedgemere, and West Newton.

### **HOW WE CONDUCTED THIS REVIEW**

For the period January 2010 through December 2012, we reviewed 292 Medicaid beneficiary accounts that contained \$482,478 in credit balances.

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 findings and conclusions based on our audit objectives.

Appendix A contains the details of our audit scope and methodology.

### **FINDING**

Massachusetts Medicaid payments to Golden Living Centers did not always comply with Federal and State requirements. The State agency did not always adjust its Medicaid per diem payments to Golden Living Centers 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 \$59,135 (\$29,567 Federal share). We attributed the incorrect Medicaid payments to clerical and billing errors.

### **FEDERAL AND STATE MEDICAID REQUIREMENTS**

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 (42 CFR § 435). 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 69 overpayments to Golden Living Centers from January 2010 through December 2012 (Appendix B). Specifically, the State agency did not adjust its Medicaid payments to Golden Living Centers 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**

Mr. P was a patient at a Golden Living Centers nursing home during May 2011. Based on his other resources, the State agency calculated Mr. P's cost-of-care contribution to be \$1,100 a month. The State agency determined that the nursing home was entitled to a monthly payment of \$4,300. Because of Mr. P's \$1,100 cost-of-care contribution, the State agency was responsible for only \$3,200 of the \$4,300 nursing home costs. However, the nursing home received a total of \$5,400 (\$4,300 from the State agency and \$1,100 from Mr. P). This error occurred because the State agency's computer system did not adjust the payment amount by Mr. P's cost-of-care contribution. The nursing home, therefore, received an overpayment of \$1,100 (\$5,400 minus \$4,300) for Mr. P's care for the month of May.

### **CONCLUSION**

As a result of the overpayments, the State agency's Federal claim for Medicaid payments made to Golden Living Centers for the period January 2010 through December 2012 was overstated by a total of \$59,135 (\$29,567 Federal share). We attributed the 69 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 \$59,135 from Golden Living Centers and refund the Federal share of \$29,567;
- ensure that Golden Living Centers receives applicable credit for any overpayments it returned during or after our audit; and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

### **GOLDEN LIVING CENTERS COMMENTS**

In the written comments on our draft report, Golden Living Centers stated, "While the identified credit balances of \$59,134.80 were overpayments at one time, items totaling \$28,753.53 have either been corrected or are in the process of being corrected." Golden Living Centers also stated that we audited accounts that were paid by hospice agencies and insurance companies and that we do not have evidence that the State made overpayments to these entities. Golden Living Centers' comments are included in their entirety as Appendix C.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

We acknowledge Golden Living Centers' efforts to correct overpayments. We maintain the payments did not comply with Medicaid billing requirements.

## **STATE AGENCY COMMENTS**

In the 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 D.

## **APPENDIX A: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

For the period January 2010 through December 2012, we reviewed Medicaid accounts that were at risk for having overpayments. We limited our review of internal controls to obtaining an understanding of Golden Living Centers' procedures for reviewing accounts and reporting overpayments to the Medicaid program.

We performed fieldwork from April 2013 through June 2013 at 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 Golden Living Centers 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 findings and conclusions based on our audit objectives.

**APPENDIX B: MEDICAID OVERPAYMENTS TO GOLDEN LIVING CENTERS  
BY CALENDAR YEAR**

<b>Calendar Year</b>	<b>Number of Overpayments</b>	<b>Total Overpayments</b>
2012	69	59,135
<b>TOTAL</b>	<b>69</b>	<b>\$59,135</b>

APPENDIX C: GOLDEN LIVING CENTERS COMMENTS



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June 24, 2013

Mr. David Lamir  
Acting Regional Inspector General for Audit Services  
Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services, Region 1  
JFK Federal Building  
15 New Sudbury Street, Room 2425  
Boston, MA 02203

Re: Report Number A-01-13-00007

Dear Mr. Lamir:

I have received and reviewed the draft report entitled *Massachusetts Medicaid Payments to Golden Living Centers Did Not Always Comply With Federal And State Requirements*.

While the identified credit balances of \$59,134.80 were overpayments at one time, items totaling \$28,753.53 have either been corrected or are in the process of being corrected. These are identified on the attached worksheet.

In addition to traditional Medicaid accounts, the OIG also audited accounts that were paid by Hospice agencies and Insurance companies. I must raise the concern that the OIG does not have evidence that the state actually paid these two different entities any type of overpayment; yet several are listed as state agency overpayments. Golden Living has provided proof that the money was refunded to the applicable hospice agencies and/or insurance companies. To determine if these are true overpayments, the OIG would need to audit these other entities directly.

If you have any questions, please feel free to call me directly at 479-201-4371.

Sincerely,

A handwritten signature in black ink that reads "Greg LeRoy".

Greg LeRoy  
Director, Medicaid Reimbursement

Enclosures

APPENDIX D: STATE AGENCY COMMENTS



The Commonwealth of Massachusetts  
Executive Office of Health and Human Services  
Office of Medicaid  
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Boston, MA 02108



DEVAL L. PATRICK  
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Secretary

KRISTIN L. THORN  
Acting Medicaid Director

July 12, 2013

George A. Nedder  
Action Regional Inspector General, Audit Services  
HHS/OIG/OAS  
Region I  
JFK Federal Building  
Boston, MA 02203

RE: Audit Report No: A-01-13-00007

Dear Mr. Nedder:

Thank you for the opportunity to review and comment on Draft Audit Report No.: A-01-13- 00007 "Massachusetts Medicaid Payments to Golden Living Centers 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 \$ 59,135 from Golden Living Centers and refund \$ 28, 753 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 Golden Living and if required, defend the overpayment amounts should Golden Living contest the overpayment notice. If Golden Living 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 are identified, collected and refunded.**

**Response:** We are in agreement with this finding and will ensure that periodic reviews and audits are conducted to identify, collect and refund overpayments.

Thank you, again, for the opportunity to respond to the draft report.

Sincerely,

Kristin L. Thorn  
Acting Medicaid Director