

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICAID CLAIMS
MADE BY LAKE GROVE
SCHOOLS IN NEW YORK**



**Daniel R. Levinson
Inspector General**

**SEPTEMBER 2006
A-02-06-01001**

Office of Inspector General

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Office Of Inspector General
Office Of Audit Services

September 13, 2006

Region II
Jacob K. Javits Federal Building
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New York, NY 10278

Report Number: A-02-06-01001

Antonia C. Novello, M.D., M.P.H, Dr. P.H.
Commissioner
New York State Department of Health
Empire State Plaza
14th Floor, Room 1408
Corning Tower
Albany, New York 12237

Dear Dr. Novello:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Medicaid Claims Made by Lake Grove Schools in New York." A copy of this report will be forwarded to the HHS action official noted below 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 the HHS action 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.

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To facilitate identification, please refer to report number A-02-06-01001 in all correspondence.

Sincerely yours,

A handwritten signature in cursive script that reads "James P. Edert".

James P. Edert
Regional Inspector General
for Audit Services

Enclosures – as stated

Page 2 – Antonia C. Novello, M.D., M.P.H, Dr. P.H.

Direct Reply to HHS Action Official:

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Division of Medicaid and Children's Health
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EXECUTIVE SUMMARY

BACKGROUND

Section 1902(a)(32) of the Social Security Act and 42 CFR § 447.10(a) prohibit State payments for Medicaid services to anyone other than a provider or a recipient. Section 400.203 of 42 CFR defines a provider as any entity or individual furnishing Medicaid services under a provider agreement with the Medicaid State agency. State regulations at Title 18, New York Compilation of Codes, Rules and Regulations (NYCRR), § 504.1(b)(1), state that any entity or person who furnishes medical care, services, or supplies for which payments under the Medicaid program are to be claimed, must enroll as a provider of services prior to being eligible to receive payments. Additionally, pursuant to Title 18, NYCRR, § 504.3(e), by enrolling in New York's Medicaid program, a provider agrees to submit claims for payment for services furnished.

Lake Grove schools comprise four separate, independently operated schools in New York, Connecticut, and Massachusetts. Two schools are located in New York, one in Connecticut, and one in Massachusetts. The two New York schools are enrolled as child caring providers in New York's Medicaid program. Each New York school has a separate provider identification number to claim Medicaid reimbursement. The schools in Connecticut and Massachusetts are not enrolled as providers in New York's Medicaid program. The schools' activities consist of the care, treatment, housing, rehabilitation, and education of emotionally disturbed and behaviorally challenged students.

OBJECTIVE

Our objective was to determine whether Medicaid claims submitted by and paid to the two Lake Grove Schools in New York (Lake Grove) complied with certain Federal and State requirements. Specifically, we determined (1) whether Lake Grove was improperly claiming Medicaid reimbursement for students attending the Connecticut and Massachusetts schools, which were not enrolled as providers in New York's Medicaid program, and (2) whether Lake Grove was improperly claiming Medicaid reimbursement for students after their discharge from Lake Grove's schools. Our audit period covered October 1, 2002, through September 30, 2005.

United States Senator Charles E. Schumer requested this audit.

SUMMARY OF FINDINGS

Lake Grove improperly claimed Medicaid reimbursement for 75 students who were attending their schools in Connecticut and Massachusetts, neither of which was enrolled as a provider in New York's Medicaid program. In addition, Lake Grove improperly claimed Medicaid reimbursement for 58 students after their discharge from school. As a result, Lake Grove improperly received \$678,402 (\$347,911 Federal share) in Medicaid reimbursement.

This overpayment occurred because: (1) Lake Grove failed to adhere to Federal and State requirements pertaining to enrollment and payment of providers, and (2) Lake Grove's billing

agent continued claiming Medicaid reimbursement after notification from Lake Grove's schools that students had been discharged.

RECOMMENDATIONS

We recommend that the State:

- recoup \$678,402 from Lake Grove and refund \$347,911 to the Federal Government;
- instruct Lake Grove to cease claiming Medicaid reimbursement for students attending their Connecticut and Massachusetts schools and for students who were discharged; and
- determine the amount of improper Medicaid reimbursement claimed by Lake Grove for students attending their schools in Connecticut and Massachusetts, and for claims beyond students' discharge, for periods prior to and after our audit period, and return the Federal share of these overpayments to the Federal Government.

STATE'S COMMENTS

In its comments on our draft audit report, the State concurred with two of our recommendations, and generally agreed with the third recommendation to refund \$347,911 to the Federal Government. State officials commented that they would need to review a listing of the inappropriately paid claims identified in the report, and then pursue for recovery those claims verified as inappropriate. The State's comments are included in their entirety as an appendix to the report.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

After reviewing applicable Federal and State laws, regulations, and other requirements and the State agency's comments on our draft report, we continue to believe that our findings and recommendations are valid.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Medicaid Program.....	1
New York’s Medicaid Program.....	1
Lake Grove Schools.....	1
Congressional Request.....	2
OBJECTIVE, SCOPE, AND METHODOLOGY	2
Objective.....	2
Scope and Methodology	2
FINDINGS AND RECOMMENDATIONS	3
CLAIMS FOR STUDENTS AT OUT-OF-STATE SCHOOLS	4
BILLING FOR DISCHARGED STUDENTS	4
CAUSES OF UNALLOWABLE CLAIMS	5
Failure to Follow Federal and State Regulations.....	5
Claims Billed Beyond the Date of Discharge.....	5
RECOMMENDATIONS	6
STATE’S COMMENTS	6
OFFICE OF INSPECTOR GENERAL’S RESPONSE	6
APPENDIX	
STATE’S COMMENTS DATED AUGUST 30, 2006	

INTRODUCTION

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program pays the health care costs of persons who qualify because of medical conditions, economic conditions, or other factors. The Federal Government and participating States share Medicaid costs. The Federal share is known as the Federal medical assistance percentage. Within the Federal Government, the Centers for Medicare & Medicaid Services (CMS) administers the Medicaid program.

To participate in the Medicaid program, a State must submit, and receive CMS's approval of a State plan. The State plan is a comprehensive document describing the nature and scope of the State's Medicaid program and the State's obligations to the Federal Government. The Medicaid program pays for medically necessary services that are specified in Medicaid law when included in the State plan and furnished to individuals eligible under the State plan.

New York's Medicaid Program

In New York State, the Department of Health is the State agency responsible for operating the Medicaid program. Within the Department of Health, the Office of Medicaid Management administers the Medicaid program. The Department of Health uses the Medicaid Management Information System (MMIS), a computerized payment and information reporting system, to process and pay Medicaid claims.

Lake Grove Schools

Lake Grove schools comprise four separate, independently operated schools providing care, treatment, housing, rehabilitation, and education for emotionally disturbed and behaviorally challenged children. The schools are located in New York, Connecticut, and Massachusetts, as follows:

- Lake Grove School – Lake Grove, New York
- Mountain Lake Children's Residence – Lake Placid, New York
- Lake Grove at Durham – Durham, Connecticut
- Lake Grove at Maple Valley – Wendell, Massachusetts

The two New York schools are enrolled as child caring providers in New York's Medicaid program. Each New York school maintains a separate MMIS provider identification number to claim Medicaid reimbursement. The schools in Connecticut and Massachusetts are not enrolled as providers in New York's Medicaid program.

In April 2001, each of the four schools entered into management contracts with Oikonomos Incorporated (Oikonomos) to furnish administrative services, central business services, legal services, and technical services. According to the contracts, Oikonomos will submit and process

claims to all third party payers, including Medicaid. The contracts also stipulate that it is the schools' responsibility to provide Oikonomos with accurate and timely information for these tasks.

Medicaid funding for the two Lake Grove schools in New York is provided through a capitated per-diem rate. The basis for determining this rate is the Medical Services Expenditure Distribution Sheet, which is completed annually by Lake Grove and submitted to the Department of Health. This cost report presents a summary of all medical costs incurred by Lake Grove, by category of residence and by medical service type. The Medicaid per-diem rates during our review period ranged from \$13.38 in 2002 to \$21.49 in 2005 for Lake Grove School, and from \$17.14 in 2002 to \$19.12 in 2005 for Mountain Lake Children's Residence. Medicaid claims submitted by Lake Grove's schools range from 1 day to 31 days.

Congressional Request

On August 2, 2005, United States Senator Charles E. Schumer requested a review and investigation into every aspect of the operations of Lake Grove schools and treatment centers in New York, Connecticut, and Massachusetts. Senator Schumer was concerned that residents were being put at risk by gross mismanagement at those facilities, and that Lake Grove was using Federal money inappropriately.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Medicaid claims submitted by and paid to the two Lake Grove Schools in New York (Lake Grove) complied with certain Federal and State requirements. Specifically, we determined (1) whether Lake Grove was improperly claiming Medicaid reimbursement for students attending the Connecticut and Massachusetts schools, which were not enrolled as providers in New York's Medicaid program, and (2) whether Lake Grove was improperly claiming Medicaid reimbursement for students after their discharge from Lake Grove's schools.

Scope and Methodology

Our audit period covered October 1, 2002, through September 30, 2005. During our audit, we did not review the overall internal control structure of Lake Grove or the State's Medicaid program. Rather, we reviewed internal controls that were significant to the objective of our audit.

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, and guidance;

- held discussions with State officials to ascertain State policies, procedures, and guidance for claiming Medicaid reimbursement for Lake Grove schools;
- ran computer programming applications at the MMIS fiscal agent that identified 4,005 paid claims for the two Lake Grove schools in New York totaling \$2,164,969 (\$1,107,861 Federal share) for the period October 1, 2002, through September 30, 2005;
- visited both Lake Grove schools in New York to interview officials about their billing practices and operations;
- compared the names and Medicaid identification numbers of all students billed through Lake Grove's New York MMIS provider identification numbers to the rosters of Medicaid students attending the two New York Lake Grove schools;
- performed site visits to Lake Grove's Connecticut and Massachusetts schools to confirm that students billed through Lake Grove's New York MMIS provider identification numbers were enrolled at these out-of-State schools;
- analyzed discharge data for all students billed through Lake Grove's New York MMIS provider identification numbers to determine whether Lake Grove was improperly claiming Medicaid reimbursement for students after their discharge from school;
- met with State officials to discuss our findings; and
- determined the unallowable Medicaid reimbursement amount paid to Lake Grove.

We performed fieldwork at all four Lake Grove schools; the State Department of Health in Albany, New York; and the State MMIS fiscal agent in Menands and Rensselaer, New York.

We conducted our review in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Lake Grove improperly claimed Medicaid reimbursement for 75 students who were attending their schools in Connecticut and Massachusetts; neither of which was enrolled as a provider in New York's Medicaid program. In addition, Lake Grove improperly claimed Medicaid reimbursement for 58 students after their discharge from school. As a result, Lake Grove improperly received \$678,402 (\$347,911 Federal share) in Medicaid reimbursement.

This overpayment occurred because: (1) Lake Grove failed to adhere to Federal and State requirements pertaining to enrollment and payment of providers, and (2) Lake Grove's billing agent continued claiming Medicaid reimbursement after notification from Lake Grove's schools that students had been discharged.

CLAIMS FOR STUDENTS AT OUT-OF-STATE SCHOOLS

Lake Grove improperly claimed Medicaid reimbursement for 75 students who were attending their schools in Connecticut and Massachusetts; neither of which was enrolled as a provider in New York's Medicaid program. As a result, Lake Grove improperly received \$660,657 (\$338,838 Federal share) in Medicaid reimbursement for 1,220 claims submitted on behalf of those 75 students.

Section 1902(a)(32) of the Social Security Act and 42 CFR § 447.10(a) prohibit State payments for Medicaid services to anyone other than a provider or a recipient. Section 400.203 of 42 CFR defines a provider as any entity or individual furnishing Medicaid services under a provider agreement with the Medicaid State agency.

State regulations at Title 18, New York Compilation of Codes, Rules and Regulations (NYCRR), § 504.1(b)(1), state that any entity or person who furnishes medical care, services, or supplies for which payments under the Medicaid program are to be claimed, must enroll as a provider of services prior to being eligible to receive payments.

We compared the names and Medicaid identification numbers of all students that were billed through Lake Grove's New York MMIS provider identification numbers to the rosters of Medicaid students attending the two Lake Grove schools in New York. Our review identified 75 students improperly billed through Lake Grove's New York MMIS provider identification numbers who attended Lake Grove schools in Connecticut and Massachusetts. The schools in Connecticut and Massachusetts were not enrolled as providers in New York's Medicaid program. Of those 75 students, 48 were at the Lake Grove at Durham school in Connecticut, and 27 were at the Lake Grove at Maple Valley school in Massachusetts.

New York State Department of Health officials confirmed that out-of-State providers are not allowed to claim Medicaid reimbursement if they are not enrolled in New York's Medicaid program, and indicated that they plan to issue a cease and desist order to Lake Grove regarding this improper billing practice.

BILLING FOR DISCHARGED STUDENTS

Lake Grove improperly claimed Medicaid reimbursement for 58 students after their discharge from school. As a result, Lake Grove improperly received \$61,522 (\$31,399 Federal share) in Medicaid reimbursement for 137 claims submitted on behalf of those 58 students.

The Federal Office of Management and Budget Circular No. A-87 establishes principles and standards for determining allowable costs applicable to grants with State and local governments. Section C.,1.,c. of Attachment A of these principles states that in order to be allowable under a grant program, costs must be authorized or not prohibited under State or local laws or regulations. State regulations at Title 18, NYCRR, § 504.3(e), state that by enrolling in New York's Medicaid program, a provider agrees to submit claims for payment for services furnished.

In addition, Title 18 § 504.7(a)(8) states that all bills for medical care, services, and supplies

shall contain a dated certification by the provider that the care, services, and supplies itemized have in fact been furnished.

We compared the discharge date of all Medicaid students billed through Lake Grove's New York MMIS provider identification numbers to the ending date of their Medicaid claims. A total of 58 students were billed beyond their discharge date. The overpayments ranged from 1 day to 22 months. As a result, Lake Grove improperly received \$61,522 (\$31,399 Federal share) in Medicaid reimbursement.

However, \$43,777 (\$22,326 Federal share) of the \$61,522 (\$31,399 Federal share) for 76 claims made on behalf of 8 students is included in the prior finding; consequently, only the difference of \$17,745 (\$9,073 Federal share) for 61 claims made on behalf of 50 students can be questioned under this finding category.

CAUSES OF UNALLOWABLE CLAIMS

As discussed below, we identified two main causes of the unallowable claims.

Failure to Follow Federal and State Regulations

Lake Grove officials stated that their Medicaid billing practice for New York State students placed in their out-of-State schools in Connecticut and Massachusetts was to bill New York's Medicaid program using their New York Medicaid provider identification numbers, and then transferring the Medicaid reimbursement to the Connecticut and Massachusetts schools. Lake Grove officials believed that these procedures were appropriate for billing Medicaid.

Claims Billed Beyond the Date of Discharge

In April 2001, all four Lake Grove schools entered into management contracts with Oikonomos to have them submit and process claims to all third party payers, including Medicaid. When a student is initially placed at one of Lake Grove's schools, an email is sent from that school to Oikonomos notifying them of the placement. Each month, Oikonomos submitted claims to Medicaid showing the number of days the student was at the school based on information provided by the school. When a student is discharged, an email is sent from the school to Oikonomos notifying them of the discharge.

We identified 137 claims for 58 students where Oikonomos improperly claimed Medicaid reimbursement even though the school had notified them of the student's discharge via email. Officials from Oikonomos stated that they had recognized this problem and tried to submit voided claims to the MMIS to refund the Medicaid monies. However, officials stated that these voided claims were not processed and the Medicaid overpayments were not returned. We were not able to obtain copies of these voided claims from Oikonomos, but did receive from them schedules of identified Medicaid overpayments totaling almost \$27,000, as of the end of our audit period, September 30, 2005.¹

¹ The schedule showed an additional \$3,000 in identified Medicaid overpayments, or a total of almost \$30,000, as of

RECOMMENDATIONS

We recommend that the State:

- recoup \$678,402 from Lake Grove and refund \$347,911 to the Federal Government;
- instruct Lake Grove to cease claiming Medicaid reimbursement for students attending the Connecticut and Massachusetts schools and for students who were discharged; and
- determine the amount of improper Medicaid reimbursement claimed by Lake Grove for students attending their schools in Connecticut and Massachusetts, and for claims beyond students' discharge, for periods prior to and after our audit period, and return the Federal share of these overpayments to the Federal Government.

STATE'S COMMENTS

In its comments on our draft audit report, the State concurred with two of our recommendations, and generally agreed with the third recommendation to refund \$347,911 to the Federal Government. State officials commented that they would need to review a listing of the inappropriately paid claims identified in the report, and then pursue for recovery those claims verified as inappropriate.

The State's comments are included in their entirety as an appendix to the report.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

After reviewing applicable Federal and State laws, regulations, and other requirements and the State agency's comments on our draft report, we continue to believe that our findings and recommendations are valid.

APPENDIX

 STATE OF NEW YORK
DEPARTMENT OF HEALTH

Corning Tower The Governor Nelson A. Rockefeller Empire State Plaza Albany, New York 12237

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner

Dennis P. Whalen
Executive Deputy Commissioner

August 30, 2006

James P. Edert
Regional Inspector General for Audit Services
DHHS OIG Office of Audit Services
Region II
Jacob K. Javitz Federal Building
New York, New York 10278

Report Number: A-02-06-01001

Dear Mr. Edert:

Enclosed are the Department of Health's comments on the DHHS --OIG's Draft Audit (A-02-06-01001) on "Review of Medicaid Claims Made by Lake Grove Schools in New York."

Thank you for the opportunity to comment.

Sincerely,



Dennis P. Whalen
Executive Deputy Commissioner

Enclosure

cc: Mr. Charbonneau
Mr. Griffin
Ms. Napoli
Ms. O'Connor
Mr. Howe
Mr. Reed
Mr. Seward
Mr. Wing

Department of Health
Comments on the
Department of Health and Human Services
Office of Inspector General
Draft Audit Report A-02-06-01001 on
"Review of Medicaid Claims Made by
Lake Grove Schools in New York"

The following are the Department of Health's (DOH) comments in response to the Department of Health and Human Services (DHHS), Office of Inspector General (OIG) draft audit report (A-02-06-01001) on "Review of Medicaid Claims made by Lake Grove Schools in New York."

Recommendation #1:

Recoup \$678,402 from Lake Grove and refund \$347,911 to the Federal Government.

Response #1:

The Department's Office of the Medicaid Inspector General (OMIG) agrees there may be overpayments associated with Medicaid payments made on behalf of Lake Grove students who were either attending school outside of New York State, or had been discharged from their school. Please provide a diskette in Excel format that lists the claims that were identified as inappropriate in this report, and the system logic used in identifying these claims. OMIG will validate the accuracy of the match criteria used and recover those claims that are verified as inappropriate. In addition, OMIG will expand the review period to include periods prior to and after the audit period.

Recommendation #2:

Instruct Lake Grove to cease claiming Medicaid reimbursement for students attending their Connecticut and Massachusetts school and for students who were discharged.

Response #2:

OMIG will issue a letter to the Lake Grove schools instructing them to cease billing New York's Medicaid program for students attending their Connecticut and Massachusetts schools, or who have been discharged from the schools.

Recommendation #3:

Determine the amount of improper Medicaid reimbursement claimed by Lake Grove for students attending their schools in Connecticut and Massachusetts, and for claims beyond students' discharge, for periods prior to and after our audit period, and return the Federal share of these overpayments to the Federal Government.

Response #3:

OMIG will determine the amount of improper Medicaid reimbursement claimed by Lake Grove for students attending their schools in Connecticut and Massachusetts, and for claims beyond the students' discharge, for periods prior to and after the audit period. These inappropriate payments will be included in the same recovery project as described in Response #1. In addition, OMIG will investigate for potential overpayments for medical services and equipment that are included in the rate for students enrolled in Lake Grove locations in New York State.

ACKNOWLEDGMENTS

This report was prepared under the direction of James P. Edert, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

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