



Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

September 13, 2011

Report Number: A-04-10-04007

Mr. Lanier M. Cansler
Secretary
North Carolina Department of Health and Human Services
2001 Mail Service Center
Raleigh, NC 27699-2001

Dear Mr. Cansler:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Medicaid Credit Balances at Private Diagnostic Clinic, PLLC, at Duke University Medical Center as of March 31, 2010*. 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 Mark Wimple, Audit Manager, at (919) 790-2765, extension 24, or through email at Mark.Wimple@oig.hhs.gov. Please refer to report number A-04-10-04007 in all correspondence.

Sincerely,

/John T. Drake, Sr./
Acting Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

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

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICAID
CREDIT BALANCES AT
PRIVATE DIAGNOSTIC CLINIC, PLLC,
AT DUKE UNIVERSITY
MEDICAL CENTER
AS OF MARCH 31, 2010**



Daniel R. Levinson
Inspector General

September 2011
A-04-10-04007

Office of Inspector General

<http://oig.hhs.gov>

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THIS REPORT IS AVAILABLE TO THE PUBLIC
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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

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. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In North Carolina, the Department of Health and Human Services (State agency) supervises the administration of the Medicaid program. Within the State agency, the Division of Medical Assistance administers the Medicaid program.

Providers of Medicaid services submit claims to the State agency to receive compensation. The State agency processes and pays the claims. Pursuant to 42 CFR § 433.10, the Federal Government pays its share (Federal share) of State medical assistance expenditures according to a defined formula.

Credit balances may occur when a provider's Medicaid reimbursement exceeds the allowable amount or when the reimbursement is for unallowable costs, resulting in an overpayment. Credit balances also may occur when a provider receives payments from Medicaid and another third-party payer for the same services. In such cases, the provider should return the overpayments recorded in the credit balances to the Medicaid agency, and the State should refund the Federal share of the overpayments to CMS (the Act, § 1903(d)(2)(A), and 42 CFR pt. 433, subpart F).

When overpayments occur, the State agency is responsible for seeking recovery from the provider for amounts paid that are in excess of allowable amounts and that must be refunded to Medicaid. Section 6506(a) of the Patient Protection and Affordable Care Act (P.L. No. 111-148) says that States have up to 1 year from the date of discovery of an overpayment for Medicaid services to recover, or to attempt to recover, the overpayment before making an adjustment to refund the Federal share. Except for overpayments resulting from fraud, the State must make the adjustment no later than the deadline for filing the quarterly expenditure report (Form CMS-64) for the quarter in which the 1-year period ends, regardless of whether the State recovers the overpayment.

Although the State agency's regulations do not require providers to refund Medicaid overpayments within a specific period, section 7 of North Carolina's *Basic Medicaid Billing Guide* states that providers are required to submit a quarterly Medicaid credit balance report showing all outstanding Medicaid credit balances reflected in the accounting records as of the last day of each quarter.

The Private Diagnostic Clinic, PLLC (Duke Clinic), is the faculty practice plan associated with the Duke University School of Medicine and Health System. Duke Clinic allows members of the physician faculty of the School of Medicine to engage in private practice while conducting clinical teaching and medical research. Duke Clinic is a for-profit professional limited liability company located in Durham, North Carolina.

OBJECTIVE

Our objective was to determine whether the Medicaid credit balances for patient services recorded in Duke Clinic's accounting records as of March 31, 2010, constituted overpayments that the State agency should return to Medicaid.

SUMMARY OF FINDINGS

Some of the Medicaid credit balances recorded for patient services in Duke Clinic's accounting records as of March 31, 2010, constituted overpayments that the State agency should return to Medicaid. Of the 100 invoice records in our sample, 52 contained overpayments, but 48 did not. Additionally, 5 of 22 separately reviewed invoice records with credit balances greater than \$2,000 contained overpayments; however, 17 did not. Combining our results, we estimated that the State agency should return \$234,917 (\$153,679 Federal share) to Medicaid.

Also, Duke Clinic had not submitted to the State agency the required quarterly Medicaid credit balance report; however, it had previously identified and repaid some overpayments to the State agency.

These deficiencies occurred because Duke Clinic's policies and procedures were not adequate to ensure that it reconciled the invoice records in a timely manner to identify and return overpayments that were due the State agency. Duke Clinic's policies and procedures allowed its management to assign a low priority to reconciling its invoice records with Medicaid credit balances. In addition, Duke Clinic officials stated that they were unaware of the State agency's requirements for the quarterly reporting of all outstanding Medicaid credit balances.

In response to our audit, Duke Clinic expanded its policies and procedures to prioritize the reconciliation of its invoice records with Medicaid credit balances and to identify overpayments for return to Medicaid. Further, Duke Clinic established policies to report its Medicaid credit balances to the State agency on a quarterly basis.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$153,679 to the Federal Government for overpayments paid to Duke Clinic and
- work with Duke Clinic to ensure that it (1) reconciles credit balances and identifies overpayments in a timely manner and (2) reports and refunds Medicaid overpayments.

PRIVATE DIAGNOSTIC CLINIC, PLLC, COMMENTS

In written comments on our draft report, Duke Clinic said that it would refund \$228,220 to the State agency to resolve the estimated overpayments. Duke Clinic's comments are included in their entirety as Appendix C.

STATE AGENCY COMMENTS

The State agency concurred with our findings and recommendations. The State agency said that it would initiate the recoupment process from Duke Clinic and reimburse the Federal share to CMS. In addition, the State agency said that it would work with Duke Clinic to ensure that Duke Clinic fully implements its stated corrective actions, including submission of the required Quarterly Medicaid (credit) balance report. The State agency's comments are included in their entirety as Appendix D.

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INTRODUCTION

BACKGROUND

Medicaid Program

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 Medicaid program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In North Carolina, the Department of Health and Human Services (State agency) supervises the administration of the Medicaid program. Within the State agency, the Division of Medical Assistance administers the Medicaid program.

Providers of Medicaid services submit claims to the State agency to receive compensation. The State agency processes and pays the claims. Pursuant to 42 CFR § 433.10, the Federal Government pays its share (Federal share) of State medical assistance expenditures according to a defined formula.

Credit balances may occur when a provider's Medicaid reimbursement exceeds the allowable amount or when the reimbursement is for unallowable costs, resulting in an overpayment. Credit balances also may occur when a provider receives payments from Medicaid and another third-party payer for the same services. In such cases, the provider should return the overpayments recorded in the credit balances to the Medicaid agency, and the State should refund the Federal share of the overpayments to CMS (the Act, § 1903(d)(2)(A), and 42 CFR pt. 433, subpart F).

Federal and State Requirements Related to Medicaid Credit Balances

Under 42 CFR § 433.312, the State agency is responsible for seeking recovery from the provider for amounts paid that are in excess of allowable amounts and refunding the Federal share to Medicaid. Section 6506(a) of the Patient Protection and Affordable Care Act (P.L. No. 111-148)¹ says that States have up to 1 year from the date of discovery of an overpayment for Medicaid services to recover, or attempt to recover, the overpayment before making an adjustment to refund the Federal share. Except for overpayments resulting from fraud, the State must make the adjustment no later than the deadline for filing the quarterly expenditure report (Form CMS-64) for the quarter in which the 1-year period ends, regardless of whether the State recovers the overpayment. (See State Medicaid Director Letter #10-014 (July 13, 2010).)

¹ The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (P.L. No. 111-152), is called the Affordable Care Act and amended section 1903(d)(2)(C) of the Act effective March 23, 2010. To the extent there is a conflict with existing regulatory language, the provisions of section 6506(a) of the Affordable Care Act and CMS's State Medicaid Director letter #10-014 supersede the Federal regulations at 42 CFR pt. 433, subpart F.

Although the State agency's regulations do not require providers to refund Medicaid overpayments within a specific period, section 7 of North Carolina's *Basic Medicaid Billing Guide* states that providers are required to submit a quarterly Medicaid credit balance report showing all outstanding Medicaid credit balances reflected in the accounting records as of the last day of each quarter.

The State agency notifies providers of changes to coverage criteria, billing information, and other program requirements through its general and special Medicaid bulletins. The bulletins restate the requirement for providers to submit a quarterly Medicaid credit balance report.

Private Diagnostic Clinic, PLLC

The Private Diagnostic Clinic, PLLC (Duke Clinic), is the faculty practice plan associated with the Duke University School of Medicine and Health System. Duke Clinic allows members of the physician faculty of the School of Medicine to engage in private practice while conducting clinical teaching and medical research. Duke Clinic is a for-profit professional limited liability company located in Durham, North Carolina.

The Executive Director of Duke Clinic also serves as the Director of the Patient Revenue Management Organization (PRMO). PRMO is a separate limited liability company within the Duke University Health System that has more than 1,100 employees and collects approximately \$1.4 billion in net patient revenue. PRMO manages an integrated process across Duke's hospitals and clinics for scheduling, registration, charge processing, billing, and collection.

At the time of our audit, Duke Clinic had more than 920 physician members and produced more than \$300 million in net patient revenue. Duke Clinic is responsible for all ambulatory clinic operations, business office functions, managed care contracting, compliance, and physician compensation and benefits.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Medicaid credit balances for patient services recorded in Duke Clinic's accounting records as of March 31, 2010, constituted overpayments that the State agency should return to Medicaid.

Scope

As of March 31, 2010, Duke Clinic's accounting records contained 18,329 outstanding invoice records² with Medicaid credit balances totaling \$1,300,812. Our sampling frame consisted of

² An invoice record is Duke Clinic's record of account for accumulating charges and payments for the various cost centers.

16,452 invoice records³ with credit balances of \$2,000 or less totaling \$961,876 as of March 31, 2010, that had a Medicaid payment posted to the invoice record and were outstanding for at least 60 days. Additionally, we reviewed 22 invoice records totaling \$109,267 as of March 31, 2010, with credit balances greater than \$2,000 that had a Medicaid payment posted to the invoice record and were outstanding for at least 60 days.

We did not review the overall internal control structure of the State agency or Duke Clinic. We limited our internal control review to obtaining an understanding of the policies and procedures that Duke Clinic used to review credit balances and report overpayments to the State agency.

From May through August 2010, we conducted fieldwork at the State agency's offices and the Medicaid Management Information System fiscal agent in Raleigh, North Carolina, and at PRMO's office in Durham, North Carolina.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and State policy guidelines pertaining to Medicaid credit balances;
- reviewed Duke Clinic's policies and procedures for reviewing credit balances and reporting overpayments to the State agency;
- traced Duke Clinic's March 31, 2010, total credit balances for all payers to the accounts receivable records and traced the accounts receivable records to the trial balance;
- traced Duke Clinic's total Medicaid credit balances from its accounting records and reconciled these balances to Duke Clinic's total credit balances;
- created a sampling frame of 16,452 invoice records with Medicaid credit balances of \$2,000 or less as of March 31, 2010, that had a Medicaid payment posted to the invoice record and were outstanding for at least 60 days;
- selected a random sample of 100 invoice records from the 16,452 invoice records (Appendix A);
- reviewed all 22 invoice records with credit balances greater than \$2,000 as of March 31, 2010, that had a Medicaid payment posted to the invoice record and were outstanding for at least 60 days;

³ We excluded 1,848 invoice records that were outstanding for less than 60 days and 7 invoice records that were in interim accounts.

- reviewed patient payment data, remittance advices, details of patient accounts receivable, and additional supporting documentation for each of the selected invoice records with credit balances;
- estimated the overpayments that should be returned to Medicaid pursuant to Federal and State requirements; and
- verified that Duke Clinic had refunded \$6,697 to the State agency as of August 31, 2010.

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 objective.

FINDINGS AND RECOMMENDATIONS

Some of the Medicaid credit balances recorded for patient services in Duke Clinic’s accounting records as of March 31, 2010, constituted overpayments that the State agency should return to Medicaid. Of the 100 invoice records in our sample, 52 contained overpayments, but 48 did not. Additionally, 5 of 22 separately reviewed invoice records with credit balances greater than \$2,000 contained overpayments; however, 17 did not. Combining our results, we estimated that the State agency should return \$234,917 (\$153,679 Federal share) to Medicaid.

Also, Duke Clinic had not submitted to the State agency the required quarterly Medicaid credit balance report; however, it had previously identified and repaid some overpayments to the State agency.

These deficiencies occurred because Duke Clinic’s policies and procedures were not adequate to ensure that it reconciled the invoice records in a timely manner to identify and return overpayments that were due the State agency. Duke Clinic’s policies and procedures allowed its management to assign a low priority to reconciling its invoice records with Medicaid credit balances. In addition, Duke Clinic officials stated that they were unaware of the State agency’s requirements for the quarterly reporting of all outstanding Medicaid credit balances.

OVERPAYMENTS

Section 1903(d)(2)(A) of the Act provides that amounts paid to a State shall be reduced to the extent of any overpayment that the Secretary determines was made to the State.

Of the 100 invoice records in our sample, 52 contained overpayments. Additionally, 5 of the 22 separately reviewed invoice records with credit balances greater than \$2,000 contained overpayments. Based on our combined results, we estimated that the State agency should return \$234,917 (\$153,679 Federal share) to Medicaid. Duke Clinic acknowledged that the overpayments occurred, and we verified that Duke Clinic had refunded to the State agency

\$6,697 (\$4,804 Federal share). The remaining \$228,220 (\$148,875 Federal share) was the balance that Duke Clinic should have returned to the State agency.

The overpayments resulted from Duke Clinic’s receiving duplicate payments and third-party payments, as well as making various billing and accounting errors. Duplicate payments were typically caused by Duke Clinic erroneously generating multiple billings or by Medicaid paying more than once for the same services. Third-party payments resulted from Duke Clinic’s receiving payment from a third-party insurer, such as a commercial insurer or Medicare, for a service paid for by Medicaid. Billing and accounting errors included overstated billings, the use of incorrect identifiers for the type of services provided, and posting errors.

FAILURE TO SUBMIT MEDICAID CREDIT BALANCE REPORT

Section 7 of the State agency’s *Basic Medicaid Billing Guide* states that providers are required to submit a quarterly Medicaid credit balance report showing all outstanding Medicaid credit balances reflected in accounting records as of the last day of each quarter. The report requires specific information for each credit balance on a claim-by-claim basis; the State agency uses the report to monitor and recover credit balances due to Medicaid.

Duke Clinic failed to submit the report to the State agency. However, it had previously identified and repaid to the State agency some Medicaid overpayments. According to the State agency, Duke Clinic had not reported its outstanding Medicaid credit balances for the 2-year period before our audit.

CAUSES OF DEFICIENCIES

As of March 31, 2010, Duke Clinic’s accounting records contained 18,329 outstanding invoice records with Medicaid credit balances totaling \$1,300,812 that Duke Clinic had not reconciled to identify whether the balances constituted overpayments that should have been returned to the State agency. The ages of the outstanding invoice records ranged from 1 day to more than 10 years, as shown in the table below.

Outstanding Invoice Records With Medicaid Credit Balances

Days Outstanding	Number of Invoice Records	Medicaid Credit Balances
1–59 days	1,848	\$221,141
60–365 days	2,459	364,996
366–730 days	2,431	245,143
731–1,095 days	1,432	79,947
1,096–1,460 days	1,726	97,944
1,461–1,825 days	3,744	158,578
1,826–2,190 days	4,255	111,640
2,191–3,704 days	427	12,874
Interim accounts	7	8,549
Total	18,329	\$1,300,812

This backlog occurred because Duke Clinic's policies and procedures were not adequate to ensure that it reconciled the invoice records in a timely manner. Duke Clinic's policies and procedures allowed its management to assign a low priority to reconciling its invoice records with Medicaid credit balances. In addition, clinic officials stated that they were unaware of the State agency's requirements for the quarterly reporting of all outstanding Medicaid credit balances.

In response to our audit, Duke Clinic modified its policies and procedures to assign a high priority to the reconciliation of its outstanding Medicaid credit balances and to identify overpayments for return to Medicaid. Further, Duke Clinic established policies to report its Medicaid credit balances to the State agency on a quarterly basis. On July 30, 2010, Duke Clinic submitted its initial Medicaid credit balance report to the State agency for the quarter ended June 30, 2010.

ESTIMATE OF THE UNALLOWABLE AMOUNT

Of the 100 invoice records in our sample, 52 contained estimated Medicaid overpayments of \$230,585 (\$150,477 Federal share). (See Appendix B for details of our sample results and estimates.) In addition, 5 of the 22 separately reviewed invoice records with credit balances greater than \$2,000 contained overpayments of \$4,332 (\$3,202 Federal share). Based on our combined results, we estimated that \$234,917 (\$153,679 Federal share) should be returned to Medicaid.

RECOMMENDATIONS

We recommend that the State agency:

- refund \$153,679 to the Federal Government for overpayments paid to Duke Clinic and
- work with Duke Clinic to ensure that it (1) reconciles credit balances and identifies overpayments in a timely manner and (2) reports and refunds Medicaid overpayments.

PRIVATE DIAGNOSTIC CLINIC, PLLC, COMMENTS

In written comments on our draft report, Duke Clinic said that it would refund \$228,220 to the State agency to resolve the estimated overpayments. Duke Clinic's comments are included in their entirety as Appendix C.

STATE AGENCY COMMENTS

The State agency concurred with our findings and recommendations. The State agency said that it would initiate the recoupment process from Duke Clinic and reimburse the Federal share to CMS. In addition, the State agency said that it would work with Duke Clinic to ensure that Duke Clinic fully implements its stated corrective actions, including submission of the required Quarterly Medicaid (credit) balance report. The State agency's comments are included in their entirety as Appendix D.

OTHER MATTER

As of March 31, 2010, Duke Clinic's accounting records contained 990 outstanding out-of-State Medicaid invoice records with credit balances totaling \$134,223 that the clinic had not reconciled, nor had it identified whether the balances were overpayments that should be returned to the applicable State Medicaid program.

Duke Clinic did not have a unique identifier for each State Medicaid program; instead, the clinic used a generic code for most out-of-State Medicaid payments. Accordingly, the clinic could not associate the out-of-State Medicaid credit balances with the appropriate State Medicaid program. Duke Clinic has to reconcile its outstanding out-of-State Medicaid invoice records before it can determine whether the balances were overpayments that should be returned to the applicable State Medicaid program.

APPENDIXES

APPENDIX A: SAMPLING METHODOLOGY

POPULATION

The population consisted of all invoice records with a credit balance as of March 31, 2010, with a North Carolina Medicaid payment posted to the invoice record.

SAMPLING FRAME

The sampling frame consisted of 16,452 invoice records with credit balances of \$2,000 or less totaling \$961,876 as of March 31, 2010, that had a Medicaid payment posted to the invoice record and were outstanding for at least 60 days.

SAMPLE UNIT

The sampling unit was an invoice record.

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

We selected a sample of 100 invoice records.

SOURCE OF RANDOM NUMBERS

We generated the random numbers with the Office of Inspector General, Office of Audit Services (OIG/OAS), statistical software.

METHOD OF SELECTING SAMPLE ITEMS

We consecutively numbered the invoice records in the sampling frame from 1 to 16,452. After generating 100 random numbers, we selected the corresponding frame items.

ESTIMATION METHODOLOGY

We used OIG/OAS statistical software to estimate the amount of overpayments.

APPENDIX B: SAMPLE RESULTS AND ESTIMATES

Sample Results

Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Overpayments in Sample	Value of Overpayments in Sample	Value of Overpayments in Sample (Federal Share)
16,452	\$961,876	100	\$5,917	52	\$2,365	\$1,603

Estimated Value of Overpayments
(Limits Calculated for a 90-Percent Confidence Interval)

Point estimate	\$389,045
Lower limit	230,585
Upper limit	547,506

Estimated Value of Overpayments (Federal Share)
(Limits Calculated for a 90-Percent Confidence Interval)

Point estimate	\$263,679
Lower limit	150,477
Upper limit	376,882

APPENDIX C: PRIVATE DIAGNOSTIC CLINIC, PLLC, COMMENTS



Private Diagnostic Clinic, PLLC
At DUKE UNIVERSITY HEALTH SYSTEM

April 29, 2011

Report Number A-04-10-04007

Peter J. Barbera
Regional Inspector General for Audit Services
Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

Dear Mr. Barbera:

The Private Diagnostic Clinic (PDC) is receipt of the above named report. First let me say the OIG staff that participated in this review were excellent to work with. I found them to be professional and respectful.

We accept the report as written, but wish to respond in the following manner:

- The PDC agrees, the necessary process/effort to ensure quarterly Medicaid credit balance reporting has been made. We would recommend that Medicaid clarify their forms to accurately reflect the provider types who are required to complete these reports.
- The review process for credit balances has been reevaluated and refined to address the volume of transactions the PDC's billing agent (PRMO) must process, to include adding additional temporary and permanent staff to work the credit balances and engaging the services of a national consulting firm to assist the PDC in designing analytical methods to resolve invoices.
- The PDC/PRMO did not intentionally assign a low priority to the Medicaid accounts. Rather, the PDC/PRMO has tried over time to address the invoices in a number of different ways, including prioritizing high dollar and older accounts. As was stated in the report, the PDC has now assigned a high resolution priority to Medicaid. As noted during the audit, refinement of the Medicaid remittance advice could assist providers in reducing credit balances that must be reviewed which do not require refunds.
- As soon as North Carolina Medicaid requests payment, the PDC will refund the amount of, \$228,220, which the PDC understands will fully resolve all the accounts in the audit population (frame size).

Sincerely,

Paul R Newman
Executive Director, Private Diagnostic Clinic

APPENDIX D: STATE AGENCY COMMENTS



North Carolina Department of Health and Human Services
2001 Mail Service Center • Raleigh, North Carolina 27699-2001
Tel 919-733-4534 • Fax 919-715-4645

Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

July 27, 2011

Mr. John T. Drake, Sr.
Acting Regional Inspector General for Audit Services
US DHHS Office of Inspector General
61 Forsyth Street SW
Suite 3T41
Atlanta, GA 30303

Re: Review of Medicaid Credit Balances at Private Diagnostic Clinic, PLLC, at Duke University Medical Center as of March 31, 2010
CIN A-04-10-04007

Dear Mr. Drake:

The North Carolina Department of Health and Human Services (NCDHHS) has received your June 15, 2011 letter and the draft report entitled "Review of Medicaid Credit Balances at Private Diagnostic Clinic, PLLC, at Duke University Medical Center as of March 31, 2010" [Audit A-04-10-04007].

The recommendations were for the State agency to:

- Refund \$153,679 to the Federal Government for Medicaid credit balances at the Duke Clinic and;
- Work with Duke Clinic to ensure that it (1) reconciles credit balances and identifies overpayments in a timely manner and (2) reports and refunds NC DMA the Medicaid overpayments.

DHHS Response: The Department concurs with the summary of findings that the Medicaid credit balances for patient services recorded in Duke Clinic's accounting records as of March 31, 2010, constituted overpayments totaling \$234,917 due back to the State Medicaid division. The State agency will return the federal share of \$153,679 and will retain the balance constituting the State share. The Department also agrees with the finding that the Duke Clinic had not submitted the required quarterly Medicaid credit balance report for the 2-year period before the audit.

The Department will initiate the repayment process by requesting reimbursement totaling \$228,220 (\$234,917 less \$6,697 previously refunded as of 8-31-10) from the Duke Clinic to be received by August 15, 2011. Once the funds are recouped from the provider, the Department will reimburse the Federal share to CMS for the identified overpayments. The anticipated target date for corrective action to be completed is September 30, 2011.

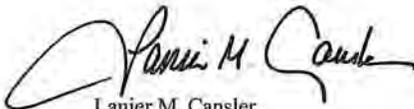


Mr. John T. Drake, Sr.
Audit A-04-10-04007
July 27, 2011
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In addition, the Division of Medical Assistance's Third Party Recovery Chief will work with the Duke Clinic to ensure Duke Clinic fully implements its stated Corrective Action, including submission of the required Quarterly Medicaid balance report to the Department. The Third Party Recovery Chief will review the submitted reports in an ongoing effort to monitor and recover any credit balances due to Medicaid in a timely manner.

We appreciate the assistance and professionalism provided by the OIG staff in the performance of this audit. If you need any additional information please contact Monica Hughes at (919) 855-3720.

Sincerely,



Lanier M. Cansler

cc: Dan Stewart, CPA
Craigian Gray, MD, MBA, JD
Tara Larson
Eddie Berryman, CPA
Laketha M. Miller, CPA
Leigh Ann Kerr