



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

December 10, 2008

Report Number: A-05-08-00049

Mr. Barry S. Maram
Director
Illinois Department of Healthcare and Family Services
201 South Grand Avenue East, Third Floor
Springfield, Illinois 62763

Dear Mr. Maram:

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 Weiss Hospital as of February 29, 2008." 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Dave Markulin, Audit Manager, at (312) 353-1644 or through e-mail at David.Markulin@oig.hhs.gov. Please refer to report number A-05-08-00049 in all correspondence.

Sincerely,


Marc Gustafson
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, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICAID CREDIT
BALANCES AT WEISS HOSPITAL
AS OF FEBRUARY 29, 2008**



Daniel R. Levinson
Inspector General

December 2008
A-05-08-00049

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

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The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

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. The Illinois Department of Healthcare and Family Services (the State agency) is responsible for administering the Illinois Medical Assistance Program (Medicaid).

Credit balances generally occur when the reimbursement that a provider receives for services provided to a Medicaid beneficiary exceeds the charges billed, such as when a provider receives payments for the same service from the Medicaid program or another third-party payer. In such cases, the provider should return the existing overpayment to the Medicaid program, which is the payer of last resort.

Federal regulations at 42 CFR 433 subpart F, "Refunding the Federal Share of Overpayments to Providers," implements Section 1903(d)(2)(C) and (D) of the Act, requiring States to adjust any outstanding credit balances within 60 days after notification by a provider that a credit balance exists. The State agency does not have any regulations in place requiring providers to refund Medicaid credit balances within a specific time frame.

Louis A. Weiss Memorial Hospital (Weiss) is a 369 licensed-bed healthcare facility, located in Chicago, Illinois. The State agency reimbursed Weiss approximately \$28 million for Medicaid services during calendar year 2007.

OBJECTIVE

Our objective was to determine whether the Medicaid credit balances recorded in Weiss' accounting records for inpatient and outpatient services represented overpayments that it should have returned to the Medicaid program.

SUMMARY OF FINDINGS

As of February 29, 2008, Weiss's Medicaid credit balances included 29 overpayments totaling \$188,370 (\$94,185 Federal share) that had not been returned to the Medicaid program. For 14 of the 29 overpayments, the ages of the overpayments ranged from 366 to 1,199 days. Weiss acknowledged that the overpayments occurred and had not been returned prior to the start of our audit because it did not comply with its policy for resolving credit balances on a daily basis.

We verified that Weiss refunded 27 of the 29 overpayments to the State agency as of July 30, 2008.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government the \$94,185 paid to Weiss for Medicaid overpayments; and
- work with Weiss to strengthen its procedures to ensure that credit balances are reviewed and overpayments are returned to the Medicaid program.

STATE AGENCY COMMENTS

In written comments to our draft report, the State agency indicated that it has adjusted 26 of the 29 claims related to the overpayments and will work with Weiss to finalize the remaining 3 adjustments and strengthen its procedures to ensure that credit balances are reviewed and overpayments are returned to the Medicaid program. The State agency's comments are included in their entirety as the Appendix.

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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. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. The Illinois Department of Healthcare and Family Services (the State agency) is responsible for administering the Illinois Medical Assistance Program (Medicaid).

Credit balances generally occur when the reimbursement that a provider receives for services provided to a Medicaid beneficiary exceeds the charges billed, such as when a provider receives payments for the same service from the Medicaid program or another third-party payer. In such cases, the provider should return the existing overpayment to the Medicaid program, which is the payer of last resort.

Federal regulations at 42 CFR 433 subpart F, "Refunding the Federal Share of Overpayments to Providers," implements Section 1903(d)(2)(C) and (D) of the Act, requiring States to adjust any outstanding credit balances. Accordingly, the provider must request an adjustment to the claim or refund the amount to the State agency. Subsequently, the State agency must adjust the applicable claim or recover the amount of the Medicaid overpayment.

Louis A. Weiss Memorial Hospital (Weiss) is a 369 licensed-bed healthcare facility, located in Chicago, Illinois. The State agency reimbursed Weiss approximately \$28 million for Medicaid services during calendar year 2007.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Medicaid credit balances recorded in Weiss' accounting records for inpatient and outpatient services represented overpayments that it should have returned to the Medicaid program.

Scope

As of February 29, 2008, Weiss' accounting records contained 71 credit balance accounts totaling \$253,531 with Medicaid listed as a payer. We determined that 29 of the 71 accounts included Medicaid overpayments. Our review of overpayments included 11 outpatient accounts totaling \$1,635 and 18 inpatient accounts totaling \$186,735. We limited our review of internal controls to obtaining an understanding of the policies and

procedures that Weiss used to review credit balances and report overpayments to the Medicaid program and did not review its entire internal control structure. This understanding was for the purpose of accomplishing our objective and not to provide assurance of the internal control structure.

We performed fieldwork from April through June 2008 at Weiss' facilities located in Berwyn, Illinois.

Methodology

To accomplish our objective, we:

- researched and reviewed Federal and State requirements pertaining to Medicaid credit balances;
- identified and reconciled Weiss' Medicaid credit balances to its accounting records as of February 29, 2008;
- reconciled Weiss' February 29, 2008 credit balance list to the accounts receivable records and reconciled the accounts receivable records to the trial balance;
- reviewed patient payment data, Medicaid claim forms and remittance advices, patient accounts receivable detail and additional supporting documentation for each credit balance account; 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 objective.

FINDING AND RECOMMENDATIONS

As of February 29, 2008, Weiss' Medicaid credit balances included 29 overpayments totaling \$188,370 (\$94,185 Federal share) that had not been returned to the Medicaid program. For 14 of the 29 overpayments, the ages of the overpayments ranged from 366 to 1,199 days. Weiss acknowledged that the overpayments occurred and had not been returned prior to the start of our audit because it did not comply with its policy for resolving credit balances on a daily basis.

FEDERAL MEDICAID REQUIREMENTS

Pursuant to 42 CFR 433 subpart F, "Refunding the Federal Share of Overpayments to Providers," which implements Section 1903(d)(2)(C) and (D) of the Act, States are required to adjust any outstanding credit balances. The regulation is based on the statutory requirements contained in the Omnibus Reconciliation Act of 1985 (Public Law 99-272), section 9512, which requires States to adjust any outstanding credit balances within 60 days after notification by a provider that a credit balance exists.

In accordance with Federal regulations, the provider must request an adjustment or refund the amount to the State agency after its identification. Subsequently, the State agency must adjust the applicable claim or recover the amount of the Medicaid overpayment within 60 days of notification. The State agency does not have any regulations in place requiring providers to refund Medicaid credit balances within a specific time frame.

OUTSTANDING CREDIT BALANCE ACCOUNTS CONTAINING OVERPAYMENTS

For 29 credit balances, Weiss had not returned overpayments totaling \$188,370 (\$94,185 Federal share) to the Medicaid program. As of February 29, 2008, Weiss had Medicaid credit balances with ages that ranged from 9 to 1,199 days, as the following table summarizes.

Ages of Overpayments

| DAYS | Number of Accounts | Medicaid Overpayments | Federal Share |
|-----------------|---------------------------|------------------------------|----------------------|
| 1-60 days | 6 | \$171,005 | \$85,503 |
| 61-90 days | 0 | 0 | 0 |
| 91-180 days | 3 | 5,257 | 2,628 |
| 181-365 days | 6 | 4,481 | 2,240 |
| 366 -1,199 days | 14 | 7,627 | 3,814 |
| TOTALS | 29 | \$188,370 | \$94,185 |

Weiss acknowledged that the overpayments occurred and that it did not adhere to its policy and procedures for resolving credit balances on a daily basis.

We verified that Weiss refunded 27 of the 29 overpayments to the State agency as of July 30, 2008.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government the \$94,185 paid to Weiss for Medicaid overpayments; and
- work with Weiss to strengthen its procedures to ensure that credit balances are reviewed and overpayments are returned to the Medicaid program.

STATE AGENCY COMMENTS

In written comments to our draft report, the State agency indicated that it has adjusted 26 of the 29 claims related to the overpayments and will work with Weiss to finalize the remaining 3 adjustments and strengthen its procedures to ensure that credit balances are reviewed and overpayments are returned to the Medicaid program. The State agency's comments are included in their entirety as the Appendix.

APPENDIX



Rod R. Blagojevich, Governor
Barry S. Maram, Director

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 782-3953
TTY: (800) 526-5812

November 26, 2008

Department of Health and Human Services
Office of Audit Services
Attn: Marc Gustafson, Regional Inspector General for Audit Services
233 North Michigan Avenue, Suite 1360
Chicago, Illinois 60601-5502

Re: Draft Audit Report No. A-05-08-00049

Dear Mr. Gustafson:

Thank you for providing an opportunity to comment on your draft audit report entitled "Review of Medicaid Credit Balances at Weiss Hospital as of February 29, 2008." We appreciate the work performed by the Office of Inspector General auditors.

As stated in the draft report, Weiss has submitted adjustments for the Medicaid credit balances for the accounts identified in the report.

The Department of Healthcare and Family Services (HFS) has reviewed the sample detail provided by the reviewers and has confirmed the adjustments to recover the overpayments to the provider were processed by the Bureau of Comprehensive Health Services. These adjustments resulted in offsets to future payments to Weiss.

These adjustments were also traced through the Medicaid Management Information Systems data warehouse to federal claims submitted during subsequent quarters. As a result of these provider adjustments, HFS has adjusted 26 of the 29 claims related to the overpayments, thereby reducing the federal claim (Title XIX and XXI) by \$93,545 of the \$94,185 identified in the report.

HFS will work with Weiss Hospital to finalize the remaining three adjustments and strengthen its procedures to ensure that credit balances are reviewed and overpayments are returned to the Medicaid program.

If you have any questions or comments about our response to the audit, please contact Peggy Edwards, External Audit Liaison, at (217) 785-9764 or through e-mail at Peggy.Edwards@illinois.gov.

Sincerely,

A handwritten signature in cursive script that reads "Michael Moss".

Michael Moss, Administrator
Division of Finance