

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICAID CREDIT
BALANCES AT NORTHRIDGE
HEALTHCARE AND REHABILITATION AS
OF JUNE 30, 2009**



Daniel R. Levinson
Inspector General

September 2010
A-06-09-00105

Office of Inspector General

<http://oig.hhs.gov>

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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.



September 20, 2010

Report Number: A-06-09-00105

Mr. Eugene Gessow
Director
Department of Human Services
Division of Medical Services
P.O. Box 1437, Slot S401
Little Rock, AR 72203

Dear Mr. Gessow:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled "*Review of Medicaid Credit Balances at Northridge Healthcare and Rehabilitation as of June 30, 2009.*" 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 at (214) 767-8414 or contact Paul Chesser, Audit Manager, at (501) 225-8114 or through email at Paul.Chesser@oig.hhs.gov. Please refer to report number A-06-09-00105 in all correspondence.

Sincerely,

/Patricia Wheeler/
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

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XIX of the Social Security 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 Arkansas, the Department of Human Services (the State agency) administers the State's Medicaid program.

Credit balances may occur when the reimbursement that a provider receives for services provided to a Medicaid beneficiary exceeds the program payment ceiling or when the reimbursement is for unallowable costs, resulting in an overpayment. Credit balances also may occur when a provider receives payments for the same services from the Medicaid program and 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.

Section 1903(d)(2)(C) of the Act, implemented at 42 CFR § 433.300(b), states: "... when an overpayment is discovered ... the State shall have a period of 60 days in which to recover or attempt to recover such overpayment before adjustment is made in the Federal payment to such State on account of such overpayment. ... [T]he adjustment in the Federal payment shall be made at the end of the 60 days, whether or not recovery was made."

Although the State agency does not have any regulations requiring providers to refund Medicaid credit balances within a specific timeframe, the *Manual of Cost Reimbursement Rules for Long Term Care Facilities* contains instructions related to overpayments. Specifically, section 1-12 states that overpayments will be corrected when discovered.

Northridge Healthcare and Rehabilitation is a 224-bed nursing home located in North Little Rock, Arkansas, that participates in the Medicaid program. It is a for-profit facility doing business as Convacare Management, Inc. Northridge provides nursing care, therapeutic services, and long-term care.

OBJECTIVE

Our objective was to determine whether the Medicaid credit balances recorded in Northridge's accounting records for patient services constituted overpayments that should have been returned to the Medicaid program pursuant to Federal and State requirements.

SUMMARY OF FINDING

As of June 30, 2009, Northridge's Medicaid accounts with credit balances included overpayments totaling \$28,476 (\$20,866 Federal share) that had not been returned to the Medicaid program. Because we did not review 20 Medicaid accounts with credit balances equal

to or less than \$300, totaling \$2,146, we cannot express an opinion on this amount. A Northridge representative stated that Northridge did not promptly return the overpayments because it believed that the State would offset the facility's payment by the amount of the credit balance before Northridge could reimburse the State.

RECOMMENDATIONS

We recommend that the State agency:

- recover from Northridge the \$28,476 (\$20,866 Federal share) in Medicaid overpayments and refund the \$20,866 Federal share to the Federal Government;
- work with Northridge to determine whether any portion of the \$2,146 in remaining credit balances was due to Medicaid overpayments, and, if any credit balances were due to overpayments, collect the overpayments and refund the Federal share to the Federal Government; and
- work with Northridge to ensure that future Medicaid credit balances are reviewed and that overpayments are promptly returned to the Medicaid program.

STATE AGENCY COMMENTS

In comments on our draft report, the State agency said that after a review of the credit balance accounts, the amount of the overpayments was reduced to \$27,656 and that it will seek recoupment from Northridge for that amount. The State agency also said that it would require Northridge to repay the \$2,146 in remaining credit balances unless Northridge provides a satisfactory explanation for the balances. Additionally, the State agency agreed to work with Northridge to ensure that any future credit balances are routinely investigated for cause and any Medicaid overpayments promptly recouped.

The State agency's comments are included in their entirety as the Appendix. We have redacted personally identifiable information from the State agency's comments.

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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. 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 Arkansas, The Department of Human Services (the State agency) administers the State's Medicaid program.

Credit balances may occur when the reimbursement that a provider receives for services provided to a Medicaid beneficiary exceeds the program payment ceiling or when the reimbursement is for unallowable costs, resulting in an overpayment. Credit balances also may occur when a provider receives payments for the same services from the Medicaid program and another third-party payer. In such cases, the provider should return the overpayment to the Medicaid program, which is the payer of last resort.

Federal and State Requirements

Section 1903(d)(2)(C) of the Act, implemented at 42 CFR § 433.300(b), states: "... when an overpayment is discovered ... the State shall have a period of 60 days in which to recover or attempt to recover such overpayment before adjustment is made in the Federal payment to such State on account of such overpayment. ... [T]he adjustment in the Federal payment shall be made at the end of the 60 days, whether or not recovery was made."

Although the State agency does not have any regulations requiring providers to refund Medicaid credit balances within a specific timeframe, the Arkansas *Manual of Cost Reimbursement Rules for Long Term Care Facilities* contains instructions related to overpayments. Specifically, section 1-12 states that overpayments will be corrected when discovered.

Northridge Healthcare and Rehabilitation

Northridge Healthcare and Rehabilitation (Northridge) is a 224-bed nursing home located in North Little Rock, Arkansas, that participates in the Medicaid program. It is a for-profit facility doing business as Convacare Management, Inc. Northridge provides nursing care, therapeutic services, and long-term care.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Medicaid credit balances recorded in Northridge's

accounting records for patient services constituted overpayments that should have been returned to the Medicaid program pursuant to Federal and State requirements.

Scope

As of June 30, 2009, Northridge's accounting records contained 38 Medicaid accounts with credit balances totaling \$37,532. Of the total, we reviewed the 18 accounts that had credit balances greater than \$300, totaling \$35,386. We did not review 20 Medicaid accounts with credit balances less than \$300, totaling \$2,146.

Our objective did not require an understanding or assessment of the complete internal control system at Northridge. We limited our review of internal controls to obtaining an understanding of the policies and procedures that Northridge used to review credit balances and report overpayments to the State Medicaid program.

We performed fieldwork in August 2009 at Convacare Management, Inc., in Searcy, Arkansas.

Methodology

To accomplish our objective, we:

- reviewed Federal and State requirements pertaining to Medicaid credit balances and overpayments;
- reviewed Northridge's policies and procedures for reviewing credit balances and reporting overpayments to the State agency;
- identified Northridge's Medicaid credit balances from its accounting records as of June 30, 2009;
- judgmentally selected for review 18 Medicaid accounts with credit balances that were outstanding as of June 30, 2009, and that had credit balances greater than \$300;
- reviewed Northridge's accounting records, including patient payment data, Medicaid claim forms and remittance advices, patient accounts receivable detail, and additional supporting documentation for each of the selected credit balance accounts;
- reviewed Medicaid claims data from the State record system;
- reconciled Northridge accounting records to Medicaid claims data;
- calculated the Federal share of overpayments based on Arkansas' Federal medical assistance percentage rates, which ranged from 72.81 percent to 73.77 percent; and
- interviewed Northridge's representatives and coordinated our audit with State agency officials.

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 objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATIONS

As of June 30, 2009, Northridge's Medicaid accounts with credit balances included overpayments totaling \$28,476 (\$20,866 Federal share) that had not been returned to the Medicaid program.

CREDIT BALANCE ACCOUNTS WITH MEDICAID OVERPAYMENTS

As of June 30, 2009, Northridge's Medicaid accounts with credit balances included overpayments totaling \$28,476 (\$20,866 Federal share) that had not been returned to the Medicaid program. Of the 18 Medicaid accounts with credit balances reviewed, 15 accounts represented overpayments that had not been returned to the Medicaid program. The credit balances for the remaining accounts were accounting discrepancies that for 2 accounts did not represent overpayments and for 1 account represented an underpayment. Because we did not review 20 Medicaid accounts with credit balances equal to or less than \$300, totaling \$2,146, we cannot express an opinion on this amount.

A Northridge representative stated that Northridge had not promptly returned the overpayments because it believed that the State would offset the facility's payment by the amount of the credit balance before Northridge could reimburse the State.

RECOMMENDATIONS

We recommend that the State agency:

- recover from Northridge the \$28,476 (\$20,866 Federal share) in Medicaid overpayments and refund the \$20,866 Federal share to the Federal Government;
- work with Northridge to determine whether any portion of the \$2,146 in remaining credit balances was due to Medicaid overpayments, and, if any credit balances were due to overpayments, collect the overpayments and refund the Federal share to the Federal Government; and
- work with Northridge to ensure that future Medicaid credit balances are reviewed and that overpayments are promptly returned to the Medicaid program.

STATE AGENCY COMMENTS

In comments on our draft report, the State agency said that after a review of the credit balance accounts, the amount of the overpayments was reduced to \$27,656 and that it will seek

recoupment from Northridge for that amount. The State agency also said that it would require Northridge to repay the \$2,146 in remaining credit balances unless Northridge provides a satisfactory explanation for the balances. Additionally, the State agency agreed to work with Northridge to ensure that any future credit balances are routinely investigated for cause and any Medicaid overpayments promptly recouped.

The State agency's comments are included in their entirety as the Appendix. We have redacted personally identifiable information from the State agency's comments.

APPENDIX

APPENDIX: STATE AGENCY COMMENTS



Division of Medical Services

P.O. Box 1437, Slot S-401 · Little Rock, AR 72203-1437
501-682-1857 · Fax: 501-682-3889 · TDD: 501-682-6789



August 9, 2010

Ms. Patricia Wheeler
Regional Inspector General
For Audit Services
Office of Inspector General
1100 Commerce Street, Room 632
Dallas, TX 75242

Dear Ms. Wheeler:

I have reviewed the draft report entitled "Review of Medicaid Credit Balances at Northridge Healthcare and Rehabilitation as of June 30, 2009" identified as Report Number A-06-09-00105. The report recommends that the State agency recover a Medicaid overpayment in the amount of \$28,476 from Northridge and to make a determination of Medicaid overpayment for an additional \$2,146.00.

Our initial review identified a credit balance for one account that has since been adjusted by vendor payment. Because of this adjustment the amount of the remaining credit balance has changed. Additionally your worksheet identified a few patient days that were not billed by the provider. Federal regulation requires that a provider submit timely claims for payment. These claims do not meet the requirement for timely filing and therefore are ineligible for payment. Attached is a worksheet identifying changes made by the Division of Medical Services, Provider Reimbursement Unit (DMS).

DMS will seek recoupment from Northridge Healthcare and Rehabilitation in the revised amount of \$27,656.94. Northridge will be required to repay the additional credit balances totaling \$2,146.00 unless they can provide explanation satisfactory to DMS. Reimbursement of the Federal share of \$27,656.94 and the federal share of any additional recoupment resulting from the review of the \$2,146.00 amount will then be made on the CMS-64 report.

DMS will work with Northridge Healthcare and Rehabilitation to ensure that any future credit balances will be routinely investigated for cause. Any Medicaid overpayments will be promptly recouped.

Sincerely,

A handwritten signature in cursive script that reads "Eugene I. Gessow".

Eugene I. Gessow
Director

Reasons for Credit Balances

	Incorrect Patient Liability	Incorrect Census Days	Medicaid Paid for Medicare Claims Adjustment	Total	DMS Provider Reimbursement Adjustments	Revised Total
	\$ (97.26)			\$ (97.26)		(97.26)
	\$ (1,733.62)			\$ (1,733.62)		(1,733.62)
	\$ (2,091.99)			\$ (2,091.99)		(2,091.99)
	\$ (4,275.96)	\$ 714.10		\$ (3,561.86)	943.34	(2,618.52) 1 & 2
	\$ (164.92)			\$ (164.92)		(164.92)
	\$ (633.72)			\$ (633.72)		(633.72)
	\$ 243.40	\$ 126.84		\$ 370.24	(126.84)	243.40 3
	\$ (380.12)	\$ (113.33)		\$ (493.45)		(493.45)
	\$ (7,580.95)	\$ (135.33)		\$ (7,716.28)		(7,716.28)
	\$ -	\$ (130.15)	\$ (414.72)	\$ (544.87)		(544.87)
	\$ (449.42)			\$ (449.42)		(449.42)
	\$ 0.05			\$ 0.05		0.05
	\$ (0.01)			\$ (0.01)		(0.01)
	\$ (2,007.85)		\$ (2,775.86)	\$ (4,783.71)		(4,783.71)
	\$ (1,414.45)		\$ (340.16)	\$ (1,754.61)		(1,754.61)
			\$ (2,296.89)	\$ (2,296.89)		(2,296.89)
			\$ (506.07)	\$ (506.07)		(506.07)
			\$ (2,018.05)	\$ (2,018.05)		(2,018.05)
				\$ -		-
Totals	\$ (20,586.82)	\$ 462.13	\$ (8,351.75)	\$ (28,476.44)	816.50	(27,659.94)

The following changes were made to the OIG spreadsheet.

- 1) [REDACTED] - Amount recouped through vendor payment \$1,657.44
- 2) [REDACTED] - Provider did not submit timely claim for dates of service. \$714.10
- 3) [REDACTED] - Provider did not submit timely claim for dates of service. \$126.84