



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

November 5, 2009

Report Number: A-09-09-00090

Mr. Toby Douglas
Chief Deputy Director of Health Care Programs
California Department of Health Care Services
1501 Capitol Avenue, MS 0002
Sacramento, California 95814

Dear Mr. Douglas:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled “Review of California Medicaid Credit Balances for Kapi‘olani Medical Center at Pali Momi as of December 31, 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.

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 (415) 437-8360, or contact Doug Preussler, Audit Manager, at (415) 437-8360 or through email at Doug.Preussler@oig.hhs.gov. Please refer to report number A-09-09-00090 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/
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 CALIFORNIA
MEDICAID CREDIT BALANCES
FOR KAPI‘OLANI MEDICAL
CENTER AT PALI MOMI
AS OF DECEMBER 31, 2008**



Daniel R. Levinson
Inspector General

November 2009
A-09-09-00090

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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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.

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

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 of Hawaii does not have any regulations requiring providers to refund Medicaid credit balances within a specific timeframe, the Hawaii “Medicaid Provider Manual” contains instructions related to overpayments. Specifically, section 4.4.6.1 states: “Overpayments discovered by providers must be promptly reported to Medicaid for appropriate adjustments.”

Kapi‘olani Medical Center at Pali Momi (Pali Momi), an affiliate of Hawaii Pacific Health, is a community-based hospital located in Aiea, Hawaii. On August 27, 2009, we issued a report entitled “Review of Hawaii Medicaid Credit Balances for Kapi‘olani Medical Center at Pali Momi as of December 31, 2008” (A-09-09-00073), which focused on Medicaid credit balances representing overpayments due to the Hawaii Medicaid program. During that review, we identified some credit balances representing overpayments due to the California Medicaid program, which is administered by the Department of Health Care Services (the State agency). This report addresses those credit balances.

OBJECTIVE

Our objective was to determine whether the Medicaid credit balances recorded in Pali Momi’s accounting records as of December 31, 2008, for inpatient and outpatient services represented overpayments that Pali Momi should have returned to the California Medicaid program.

SUMMARY OF FINDING

As of December 31, 2008, Pali Momi's Medicaid accounts with credit balances included four overpayments totaling \$714 (\$357 Federal share) that had not been returned to the California Medicaid program. The ages of the overpayments ranged from 177 days to 652 days. Hawaii Pacific Health representatives stated that Pali Momi had not promptly returned the overpayments because implementing its new patient accounting system had diverted resources from managing credit balance accounts.

RECOMMENDATION

We recommend that the State agency refund to the Federal Government \$357 (Federal share) in California Medicaid overpayments to Pali Momi for outpatient services.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency agreed to refund \$340 (Federal share) to the Federal Government. The State agency commented that the remaining credit balance of \$17 (Federal share) was the result of a posting error, which Pali Momi has corrected. The State agency's comments are included in their entirety as the Appendix.

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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 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.

Credit balances may occur when the reimbursement that a provider receives for services provided to a Medicaid beneficiary exceeds the program payment ceiling or allowable costs, resulting in an overpayment. Credit balances may also 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 of Hawaii does not have any regulations requiring providers to refund Medicaid credit balances within a specific timeframe, the Hawaii “Medicaid Provider Manual” contains instructions related to overpayments. Specifically, section 4.4.6.1 states: “Overpayments discovered by providers must be promptly reported to Medicaid for appropriate adjustments.”

Kapi‘olani Medical Center at Pali Momi

Kapi‘olani Medical Center at Pali Momi (Pali Momi), an affiliate of Hawaii Pacific Health, is a community-based hospital located in Aiea, Hawaii. Hawaii Pacific Health manages the patient accounting systems, including credit balance accounts, for Pali Momi and Hawaii Pacific Health’s other affiliates.

Prior Office of Inspector General Report

On August 27, 2009, we issued a report entitled “Review of Hawaii Medicaid Credit Balances for Kapi‘olani Medical Center at Pali Momi as of December 31, 2008” (A-09-09-00073), which

focused on Medicaid credit balances representing overpayments due to the Hawaii Medicaid program. During that review, we identified some credit balances representing overpayments due to the California Medicaid program, which is administered by the Department of Health Care Services (the State agency). This report addresses those credit balances.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Medicaid credit balances recorded in Pali Momi's accounting records as of December 31, 2008, for inpatient and outpatient services represented overpayments that Pali Momi should have returned to the California Medicaid program.

Scope

As of December 31, 2008, Pali Momi's inpatient and outpatient accounting records contained four credit balance accounts that listed California Medicaid as a payer, totaling \$743. All four accounts were related to outpatient services.

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

We performed our fieldwork at Hawaii Pacific Health's corporate office in Honolulu, Hawaii, from June through August 2009.

Methodology

To accomplish our objective, we:

- reviewed Federal and State requirements pertaining to Medicaid credit balances and overpayments;
- reviewed Pali Momi's policies and procedures for reviewing credit balances and reporting overpayments to the Medicaid program;
- traced Pali Momi's December 31, 2008, total credit balances to the accounts receivable records and traced the accounts receivable records to the trial balance;
- identified Pali Momi's Medicaid credit balances from its accounting records and reconciled the Medicaid credit balances to Pali Momi's total credit balances as of December 31, 2008;
- reviewed the credit balance accounts that listed California Medicaid as a payer;

- reviewed Pali Momi’s accounting records, including patient payment data, Medicaid claims forms and remittance advices, patient accounts receivable detail, and additional supporting documentation for each credit balance account;
- calculated the Federal share of overpayments based on California’s Federal medical assistance percentage rate of 50 percent; and
- interviewed Hawaii Pacific Health representatives.

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 finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATION

As of December 31, 2008, Pali Momi’s Medicaid accounts with credit balances included four overpayments totaling \$714 (\$357 Federal share) that had not been returned to the California Medicaid program.

OUTSTANDING CREDIT BALANCE ACCOUNTS WITH MEDICAID OVERPAYMENTS

As of December 31, 2008, Pali Momi’s Medicaid accounts with credit balances included four overpayments totaling \$714 (\$357 Federal share) that had not been returned to the California Medicaid program. The ages of the overpayments ranged from 177 days to 652 days, as the following table summarizes.

Ages of Overpayments as of December 31, 2008

Days	No. of Accounts	Overpayment Amount	Federal Share
1–60	0	\$0	\$0
61–180	1	35	18
181–365	1	325	162
366–730	2	354	177
> 730	0	0	0
Total	4	\$714	\$357

Hawaii Pacific Health representatives stated that Pali Momi had not promptly returned the overpayments because implementing its new patient accounting system had diverted resources from managing credit balance accounts.

RECOMMENDATION

We recommend that the State agency refund to the Federal Government \$357 (Federal share) in California Medicaid overpayments to Pali Momi for outpatient services.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency agreed to refund \$340 (Federal share) to the Federal Government. The State agency commented that the remaining credit balance of \$17 (Federal share) was the result of a posting error, which Pali Momi has corrected. The State agency's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: DEPARTMENT OF HEALTH CARE SERVICES COMMENTS



DAVID MAXWELL-JOLLY
Director

State of California—Health and Human Services Agency
Department of Health Care Services



ARNOLD SCHWARZENEGGER
Governor

SEP 24 2009

Ms. Lori A. Ahlstrand
Regional Inspector General for Audit Services
Office of Inspector General
90 7th Street, Suite 3-650
San Francisco, CA 94103

Dear Ms. Ahlstrand:

The California Department of Health Care Services (DHCS) has prepared its response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG), draft report entitled "Review of California Medicaid Credit Balances for Kapi'olani Medical Center at Pali Momi as of December 31, 2008" (A-09-09-00090). DHCS appreciates the work performed by the OIG and the opportunity to respond to the draft report.

Please contact Ms. Traci Walter, Audit Coordinator, at (916) 650-0298 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Toby Douglas", written over a horizontal line.

Toby Douglas
Chief Deputy Director
Health Care Programs

cc: See next page

**Department of Health Care Services
Response to the Office of Inspector General Draft Report Entitled**

***Review of California Medicaid Credit Balances for
Kapi'olani Medical Center at Pali Momi as of December 31, 2008***

Recommendation: We recommend that the State agency refund to the Federal Government \$357 (Federal share) in California Medicaid overpayments to Pali Momi for outpatient services.

Response: Kapi'olani Medical Center at Pali Momi has returned \$679 (\$339.50 Federal share) to the Department of Health Care Services (DHCS). An adjustment will be made on the next CMS-64 quarterly expenditure report to return the Federal share.

The remaining credit balance of \$34.97 (\$17.49 Federal share) was the result of a posting error. Kapi'olani Medical Center has since posted the payment to the correct patient account, thereby eliminating the credit balance.

Ms. Lori A. Ahlstrand

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SEP 24 2009

cc: Ms. Karen Johnson
Chief Deputy Director
Policy and Program Support
1501 Capitol Avenue, MS 0005
P.O. Box 997413
Sacramento, CA 95899-7413

Ms. Jan English
Acting Deputy Director
Audits and Investigations Division
1500 Capitol Avenue, MS 2000
P.O. Box 997413
Sacramento, CA 95899-7413

Mr. Bill Alameda, Chief
Financial Audits Branch
Audits and Investigations Division
1500 Capitol Avenue, MS 2100
P.O. Box 997413
Sacramento, CA 95899-7413