



Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

FEB 04 2003

CIN: A-01-02-00012

Ms. Wendy E. Warring
Commissioner
Division of Medical Assistance
600 Washington Street
Boston, MA 02111

Dear Ms. Warring:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of the Inspector General (OIG), Office of Audit Services' (OAS) report entitled "Review of Massachusetts Medicaid Payments for Outpatient Non-Physician Services Rendered From October 1, 1999 through March 31, 2002 During an Inpatient Stay." The objective of our review was to determine whether the Massachusetts Division of Medical Assistance (DMA) reimbursed outpatient non-physician services rendered during inpatient stays with claim paid dates from October 1, 1999 through March 31, 2001.

To test the effectiveness of the DMA's procedures to preclude duplicate payments, we reviewed a random sample of Medicaid claims from a database of non-physician outpatient claims rendered during inpatient stays with claim paid dates from October 1, 1999 through March 31, 2001. We found that DMA procedures were generally adequate to preclude duplicate Medicaid payments for services on behalf of individuals who receive outpatient services while inpatients at hospitals. As a result, we have no further recommendations to make on this issue.

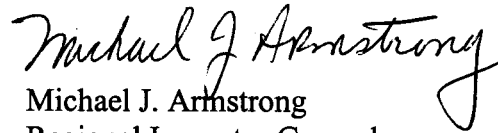
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As such, within ten business days after the final report is issued, it will be posted on the world wide web at <http://oig.hhs.gov>.

Page 2 of 2 – Ms. Wendy E. Warring

To facilitate identification, please refer to Common Identification Number A-01-02-00012 in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in black ink that reads "Michael J. Armstrong". The signature is written in a cursive style with a large, looped "M" and "A".

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures – as stated

cc: Frank McNamara, Director, Internal Control and Audit, Division of Medical Assistance,
Executive Office of Health and Human Services, Commonwealth of Massachusetts

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MASSACHUSETTS
MEDICAID PAYMENTS FOR
OUTPATIENT NON-PHYSICIAN
SERVICES RENDERED FROM
OCTOBER 1, 1999 THROUGH MARCH 31,
2001 DURING AN INPATIENT STAY**



JANET REHNQUIST
Inspector General

February 2003
A-01-02-00012

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 OIG's Office of Audit Services (OAS) provides all 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 in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the Department.

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Ms. Wendy E. Warring
Commissioner
Division of Medical Assistance
600 Washington Street
Boston, MA 02111

Dear Ms. Warring:

This report presents the results of our *Review of Massachusetts Medicaid Payments for Outpatient Non-Physician Services Rendered From October 1, 1999 through March 31, 2001 During an Inpatient Stay*. The objective of our review was to determine whether the Massachusetts Division of Medical Assistance (DMA) reimbursed outpatient non-physician services rendered during inpatient stays with claim paid dates from October 1, 1999 through March 31, 2001.

We found that DMA procedures were generally adequate to preclude duplicate Medicaid payments for services on behalf of individuals who receive outpatient services while inpatients at hospitals. As a result, we have no further recommendations to make on this issue.

INTRODUCTION

BACKGROUND

The Massachusetts Division of Medical Assistance through MassHealth pays for health care for certain low- and medium- income people living in Massachusetts who are under 65 and who are not living in nursing homes or other long term care facilities. These payments include a variety of services that include both hospital inpatient and outpatient non-physician services.

The Massachusetts State Plan Under Title XIX of the Social Security (Plan), Attachment 4.19B(1) states that hospitals will not be reimbursed on an outpatient basis when an inpatient admission to the same hospital on the same date of service occurs following the provision of outpatient services. The Plan also states that hospitals and hospital-licensed health centers will not be reimbursed for outpatient services provided to any recipient who is concurrently an inpatient of any hospital. The hospital is responsible for payment to any other provider of services delivered to a recipient while an inpatient of that hospital. The Plan also states that the upper limit of reimbursement is the level below which it is determined that the hospital reimbursement methodology will result in payments for hospital services in the aggregate that are no more than the amount that would be paid under Medicare principles of reimbursement.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of our review was to determine whether the DMA reimbursed outpatient non-physician services rendered during inpatient stays with claim paid dates from October 1, 1999 through March 31, 2001.

To perform our review, we compared the Centers for Medicare and Medicaid's Medicaid Statistical Information System files of outpatient services with inpatient stays with claims paid dates from October 1, 1999 through March 31, 2001. Based on this comparison, we compiled a database of outpatient non-physician services that occurred during an inpatient stay. The match for Massachusetts resulted in 2,473 outpatient non-physician services totaling \$342,817 rendered during an inpatient stay. Using the results of the match, we reviewed a statistical sample of 100 services valued at \$12,850. The services were selected using a simple random sample. We used applicable laws, regulations and Medicaid guidelines to determine whether the outpatient non-physician services reimbursed by DMA met the reimbursement requirements.

We limited consideration of the internal control structure at DMA to those controls concerning claims processing because the objective of our review did not require an understanding or assessment of the complete internal control structure at DMA. In this regard, we concluded that our review of the internal control structure at DMA could be conducted more efficiently by expanding substantive testing; thereby placing limited reliance on DMA's internal control structure.

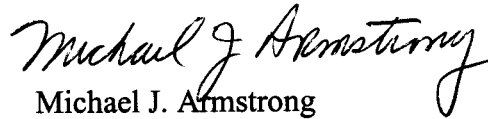
Our field work was performed from July 2002 through December 2002 at the DMA office and our Regional Office in Boston, Massachusetts. Our review was made in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

To perform our review, we independently generated our own computer match of outpatient non-physician services rendered during an inpatient stay with claim paid dates from October 1, 1999 through March 31, 2001. Based on the results of this match, we reviewed a random sample of 100 DMA Medicaid claims from a population of potential Medicaid duplicate payments in order to test the effectiveness of the DMA controls to preclude Medicaid payments for outpatient non-physician services rendered during inpatient stays. We found that only 2 of the 100 services valued at \$778 of the \$12,850 total value of sample services duplicated payments received for the recipients' inpatient stay. The remaining services, while occurring during an inpatient stay, were appropriately reimbursed or properly adjusted under state requirements. Accordingly, we concluded that the risk is low that DMA made duplicate payments for outpatient services rendered during an inpatient stay.

Based on the results of our sample and the procedures DMA currently has in place, we concluded that DMA had implemented a system to reasonably preclude Medicaid payments for non-physician outpatient services rendered during an inpatient stay. We have no recommendations to make on this issue.

Sincerely yours,

A handwritten signature in black ink that reads "Michael J. Armstrong". The signature is written in a cursive style with a large, looped initial "M".

Michael J. Armstrong
Regional Inspector General
For Audit Services