




DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

FEB 25 2003

Washington, D.C. 20201

TO: Neil Donovan
Director, Audit Liaison Staff
Centers for Medicare and Medicaid Services

FROM: Dennis J. Duquette 
Deputy Inspector General
for Audit Services

SUBJECT: Audit of Medicaid Payments for Under 21 Year Old Residents of Private Psychiatric Hospitals that are Institutions for Mental Diseases in Florida (A-04-02-02014)

As part of the Office of Inspector General's self-initiated audit work, we are alerting you to the issuance within 5 business days of our final audit report entitled, *Audit of Medicaid Payments for Under 21 Year Old Residents of Private Psychiatric Hospitals that are Institutions for Mental Diseases in Florida*. A copy of the report is attached. This report is one of a series of reports involving our multi-state review of federal reimbursement for medical care provided to residents of institutions for mental diseases (IMD). We suggest you share this report with components of the Centers for Medicare and Medicaid Services (CMS) involved with program integrity, provider issues, and state Medicaid agency oversight, particularly the Center for Medicaid and State Operations.

The objective of this audit was to determine if the state of Florida (state agency) had adequate controls to preclude claiming federal financial participation (FFP) under the Medicaid program for all medical services, except inpatient psychiatric services, provided to IMD residents under the age of 21, and in some instances those under the age of 22. Our review covered Medicaid payments for the period July 1, 1997 through December 31, 2001.

Our review found that the state agency did not have adequate controls in place to preclude claiming FFP for medical services provided to IMD residents under the age of 21/22. We identified 30,757 claims out of 153,323 claims applicable to these residents that were not eligible for federal reimbursement, yet FFP was claimed. The 30,757 claims represented \$362,931 in FFP. Moreover, our review was limited, and additional overpayments likely exist. We recommended that the state refund the \$362,931 and identify and return improper FFP applicable to the other IMDs not included in our review.

In responding to our draft report, the state agency noted that it had implemented a statewide waiver on January 1, 2002 through which Medicaid eligible children may receive services in enrolled IMDs. The state agency acknowledged our audit findings and will make an adjustment of \$362,931 in FFP on the next quarter's Form CMS 64 (The Quarterly Medicaid Statement of Expenditures).

Page 2 – Neil Donovan

Any questions or comments on any aspect of this memorandum are welcome. Please address them to George M. Reeb, Assistant Inspector General for the Centers for Medicare and Medicaid Audits, at (410) 786-7104 or Charles J. Curtis, Regional Inspector General for Audit Services, Region IV, at (404) 562-7750.

Attachment



FEB 28 2003

REGION IV
Room 3T41
61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8909

Report Number: A-04-02-02014

Mr. Robert Sharpe
Deputy Secretary for Medicaid
Agency for Health Care Administration
2727 Mahan Drive, Building 3, Room 2427
Tallahassee, Florida 32308

Dear Mr. Sharpe:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services' (OAS) final report entitled, *Audit of Medicaid Payments for Under 21 Year Old Residents of Private Psychiatric Hospitals that are Institutions for Mental Diseases in Florida*. A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official. We request that you respond to the HHS action 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.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, OIG/OAS reports are made available to members of the press and the general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise (see 45 CFR, part 5). As such, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

To facilitate identification, please refer to report number A-04-02-02014 in all correspondence relating to this report. If you have any questions, please contact me or have your staff contact Peter Barbera at (404) 562-7758.

Sincerely,

Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

Enclosures – as stated

Page 2 – Mr. Robert Sharpe

Direct Reply To HHS Action Official:

Mr. Eugene A. Grasser
Associate Regional Administrator
Department of Health and Human Services, Region IV
Division of Medicaid and State Operations
61 Forsyth Street, S.W., Suite 4T20
Atlanta, Georgia 30303-8909

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF MEDICAID PAYMENTS FOR
UNDER 21 YEAR OLD RESIDENTS OF
PRIVATE PSYCHIATRIC HOSPITALS
THAT ARE INSTITUTIONS FOR MENTAL
DISEASES IN FLORIDA**



**JANET REHNQUIST
Inspector General**

**FEBRUARY 2003
A-04-02-02014**

Office Of Inspector General Notices

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the HHS/OIG/OAS. Final determination on these matters will be made by authorized officials of the HHS divisions.





FEB 28 2003

REGION IV
Room 3T41
61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8909

Report Number: A-04-02-02014

Mr. Robert Sharpe
Deputy Secretary for Medicaid
Agency for Health Care Administration
2727 Mahan Drive, Building 3, Room 2427
Tallahassee, Florida 32308

Dear Mr. Sharpe:

This final report by the Office of Inspector General (OIG), Office of Audit Services, provides you with the results of our *Audit of Medicaid Payments for Under 21 Year Old Residents of Private Psychiatric Hospitals that are Institutions for Mental Diseases in Florida*. This audit is part of our ongoing review of Medicaid billings for patients in institutions for mental diseases (IMD).¹

The objective of our review was to determine if the state of Florida (state agency) had adequate controls to effectively preclude claiming federal financial participation (FFP) under the Medicaid program for all medical services, except inpatient psychiatric services, provided to IMD residents under the age of 21, and in some instances those under the age of 22. Our review covered Medicaid payments for the period July 1, 1997 through December 31, 2001.

Our review found that the state agency did not have adequate controls in place to preclude claiming FFP for medical services provided to IMD residents under the age of 21/22. We identified 30,757 claims out of 153,323 claims applicable to these residents that were not eligible for federal reimbursement, yet FFP was claimed. The 30,757 claims represented \$362,931 in FFP. Moreover, our review was limited, and additional overpayments likely exist. We recommended that the state agency refund the \$362,931 and identify and return improper FFP applicable to the other IMDs not included in our review.

In responding to our draft report, the state agency noted that it had implemented a statewide waiver on January 1, 2002 through which Medicaid eligible children may receive services in enrolled IMDs. The state agency acknowledged our audit findings and will make an adjustment of \$362,931 in FFP on the next quarter's Form CMS 64 (The Quarterly Medicaid Statement of Expenditures). The state's comments are included, in their entirety, as an Appendix to this report.

¹ We previously issued three reports to the state of Florida. The first report addressed inpatient claims for residents of state IMDs (A-04-01-02003, issued March 18, 2002); the second report addressed medical and ancillary claims for residents of state IMDs (A-04-01-02008, issued July 15, 2002); and the third report addressed Medicaid payments for residents of private psychiatric hospitals that are IMDs (A-04-02-02009, issued September 30, 2002).

BACKGROUND

Title XIX of the Social Security Act (Act) authorizes federal grants to states for Medicaid programs that provide medical assistance to persons whose incomes are insufficient to meet the cost of medical services. Florida's Medicaid program is administered by the Agency for Health Care Administration (AHCA).

The Federal Government pays its share of medical assistance expenditures to AHCA according to a defined formula yielding the FFP rate. In Florida, these rates ranged between 55.65 and 56.62 percent during the period of July 1, 1997 through December 31, 2001.

The state does not operate any IMD inpatient facilities for residents under the age of 22. The IMD inpatient facilities for residents under the age of 22 were privately operated.

Section 1905(a) of the Act defines the term "medical assistance." Section 1905(a)(14) states that medical assistance includes inpatient hospital services and nursing facility services for individuals 65 years of age or over in an IMD. Section 1905(a)(16) states that effective January 1, 1973, medical assistance includes inpatient psychiatric hospital services for individuals under the age of 21.

The regulation implementing the IMD exclusion in section 1905(a) of the Act, 42 CFR 441.13 and 435.1008, prohibit FFP for any services provided to IMD residents under the age of 65, except for inpatient psychiatric hospital services for individuals under the age of 21. This exclusion from FFP was designed to assure that states, rather than the Federal Government, continued to have principal responsibility for funding medical services for IMD residents. Specifically, 42 CFR 441.13, entitled *Prohibitions on FFP: Institutionalized Individuals*, states that:

“(a) FFP is not available in expenditures for...Any individual who is under age 65 and is in an institution for mental diseases, except an individual who is under age 22 and receiving inpatient psychiatric services under subpart D of this part.”

Public Law 100-360 of 1988 defines an IMD as a hospital or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases. If the institution is licensed as a psychiatric facility, the Centers for Medicare and Medicaid Services (CMS) considers the institution an IMD.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine if AHCA had adequate controls to effectively preclude claiming FFP for all medical services, except inpatient psychiatric services, provided to residents under the age of 21/22 in private psychiatric hospitals that are IMDs. Our review of

FFP claims was for inpatient and outpatient acute care hospital services, physician services, laboratory, or clinic services. The AHCA should not claim FFP for Medicaid payments made for these services. Our review covered Medicaid payments made between July 1, 1997 and December 31, 2001. Our review also included Medicaid payments for Medicare deductibles for qualified beneficiaries covered by both Medicare and Medicaid programs (crossover payments).

During our audit period, our target population of residents resided in five or six (depending on the year) private psychiatric hospitals in Florida. To the extent that we selected three of these hospitals to test for improper Medicaid FFP payments, our review was limited.

From the three private IMDs, we obtained resident lists and identified individuals less than 22 year olds during our audit period. In some instances, residents under the age of 22 qualified for this review. If a resident was admitted to the IMD prior to their 21st birthday, FFP for inpatient psychiatric services is permitted to continue beyond the age of 21 up until the date of discharge or age 22, whichever occurs first. For the residents we identified, we requested that AHCA provide us with Medicaid eligibility status and paid claims information. The AHCA furnished us paid claims information for hospital inpatient and outpatient transfers and for physician, laboratory, and clinic services. We compared the dates of services to the dates of the patients' admissions and discharges from the IMD to determine if the claims should have been excluded from FFP.

We also interviewed state program officials and reviewed information provided by the state agency and the IMDs. Our review of AHCA's and the IMDs' internal controls were limited to those considered necessary to achieve our objectives. Our review allowed us to establish a reasonable assurance regarding the accuracy of Medicaid eligibility and payment data. However, our audit was not directed toward assessing the completeness of AHCA's eligibility and payment files.

We conducted our audit in accordance with generally accepted government auditing standards. Our field work was performed at AHCA's and at the Department of Children and Families' offices in Tallahassee, Florida and our regional office in Atlanta, Georgia, from April 2002 to November 2002.

RESULTS OF REVIEW

Our review found that ACHA did not have adequate controls in place to preclude claiming FFP for medical services provided to IMD residents under the age of 21, and in some cases under the age of 22. We identified 30,757 claims out of 153,323 claims applicable to these residents that were not eligible for FFP reimbursement, yet FFP was claimed. These 30,757 claims represented \$362,931 in FFP. Moreover, our review did not include all of the private IMDs in the state, and additional overpayments likely exist.

We reviewed 153,323 claims totaling over \$4.8 million in Medicaid payments. These were claims applicable to individuals less than 22 years of age who at one time were IMD residents

during our audit period. Of this total, 122,566 claims were for inpatient psychiatric services that were eligible for FFP reimbursement. However, a substantial number of these claims, 30,757, should have been excluded from FFP because the services billed were medical in nature and the dates of service were during the period of IMD residency. These 30,757 claims represented \$362,931 in FFP.

The \$362,931 in FFP was comprised of the following types of claims:

- Inpatient claims totaling \$72,426, representing acute care hospital services provided to IMD residents transferred and admitted into a hospital.
- Outpatient claims totaling \$65,444, representing medical services provided to IMD residents transferred but not admitted into a hospital. The services were performed either in a clinic or in a hospital.
- Mental health, drug, and alcohol claims totaling \$60,126, representing services provided to IMD residents when they were transferred to a clinic or a hospital.
- Practitioner claims totaling \$154,739, representing services provided to IMD residents by medical practitioners (physicians).
- Other claims totaling \$10,196 representing a variety of services.

CONCLUSION AND RECOMMENDATIONS

Our review showed that the state agency did not have adequate controls in place to preclude claiming FFP for medical services provided to IMD residents under the age of 21/22. We identified 30,757 claims out of 153,323 claims applicable to these residents that were not eligible for federal reimbursement, yet FFP was claimed. The 30,757 claims represented \$362,931 in FFP.

We believe a lack of communication between AHCA, the IMDs, and the other healthcare providers was the major contributing factor for the improper FFP claims.

In considering our recommendations, we learned that, effective January 2002, CMS granted AHCA a statewide waiver with tight controls through which Medicaid eligible children may receive services in enrolled IMDs. Based on this information, we did not recommend any procedural recommendations to improve internal controls; however, we believe financial adjustments are still warranted. Thus, we recommend that AHCA:

- Reimburse the Federal Government for the \$362,931 in FFP that should not have been claimed during the period July 1, 1997 through December 31, 2001; and

- Conduct reviews at the IMDs not included in our review to identify and return improper FFP claimed for medical services provided to IMD residents under the age of 21, and in some instances those under the age of 22. (We are willing to assist AHCA in developing a review protocol based on our audit, if requested.)

State Agency's Comments

The state agency noted that it had implemented a statewide waiver on January 1, 2002 through which Medicaid eligible children may receive services in enrolled IMDs. According to state officials... "This program is designed with tight controls to prevent providers from being reimbursed for any other Medicaid services for individuals who are also receiving the Medicaid benefit of Inpatient Psychiatric Services for Individuals under 21 in IMD's." State officials also stated that they are developing a letter to other non-enrolled providers to reiterate federal and state Medicaid policy that recipients in an IMD are not eligible for other benefits.

The state agency acknowledged our findings and will make an adjustment of \$362,931 in FFP on the next quarter's Form CMS 64.

OIG's Response

We appreciate the state agency's actions to resolve this matter and we appreciate the professionalism and consideration granted our auditors during this review.

The state agency did not specifically address our second recommendation to conduct reviews at the IMDs not included in our review. The letter to other non-enrolled providers that the state agency is developing could represent a cost control over future FFP. However, we still believe the state agency should identify and return improper FFP claimed for medical services provided to IMD residents under the age of 21/22 by the IMDs not included in our review.

Sincerely,



Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

January 23, 2003

Charles J. Curtis
Regional Inspector General
For Audit Services, Region IV
Office of Inspector General
Office of Audit Services
61 Forsyth Street, S.W.
Atlanta, Georgia

Dear Mr. Curtis:

I am writing in response to your letter of December 23, 2002. Thank you for the opportunity to review the draft report of the "Audit of Medicaid Payments for Under 21 Year Old Residents of Private Psychiatric Hospitals that are Institutions for Mental Diseases (IMD) in Florida."

As mentioned in the report, the Agency for Health Care Administration (AHCA) implemented a statewide waiver on January 1, 2002, through which Medicaid eligible children may receive services in enrolled IMD's. This program is designed with tight controls to prevent providers from being reimbursed for any other Medicaid services for individuals who are also receiving the Medicaid benefit of Inpatient Psychiatric Services for Individuals under 21 in IMD's. Specifically, the payment system will deny a claim for any other service when a claim for the per diem for IMD services has been paid. Additionally, AHCA is developing a letter to other non-enrolled providers to reiterate federal and state Medicaid policy that recipients in an IMD are not eligible for other benefits.

The recent audit by your office was conducted on the four and a half years prior to implementation of our IMD service with its system-wide controls. The audit includes findings that \$362,931 in Federal Financial Participation for medical expenses were reimbursed to providers, in error, for medical expenses for children and adolescents who were residing in IMD's. AHCA will make an adjustment equal to this amount on the next quarter's Form CMS 64, on line 10A.

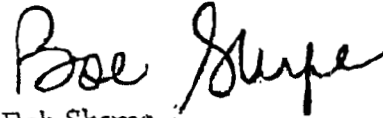


Charles J. Curtis
Regional Inspector General
January 22, 2003
Page 2 of 2

Thank you for the opportunity to respond to this report. AHCA appreciates the professionalism and consideration demonstrated during this audit.

Please contact me at 850-488-3560 if you have additional comments or need additional information.

Sincerely,

A handwritten signature in black ink that reads "Bob Sharpe". The signature is written in a cursive style with a large, prominent "B" and "S".

Bob Sharpe
Deputy Secretary for Medicaid