



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

REGION V
OFFICE OF
INSPECTOR GENERAL

November 21, 2008

Report Number: A-05-08-00065

Mr. Cal Ludeman
Commissioner
Minnesota Department of Human Services
P.O. Box 64998
St. Paul, Minnesota 55164-0998

Dear Mr. Ludeman:

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 Hennepin County Medical Center as of March 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.

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 Sheri Fulcher, Audit Manager, at (312) 353-1823 or through e-mail at Sheri.Fulcher@oig.hhs.gov. Please refer to report number A-05-08-00065 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
HENNEPIN COUNTY
MEDICAL CENTER
AS OF MARCH 31, 2008**



Daniel R. Levinson
Inspector General

November 2008
A-05-08-00065

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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THIS REPORT IS AVAILABLE TO THE PUBLIC
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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 Minnesota Department of Human Services (the State agency) is responsible for administering the Minnesota Medical Assistance program (Medicaid).

Credit balances 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," require 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.

Hennepin County Medical Center (HCMC) is a 910-licensed bed hospital located in Minneapolis, Minnesota. HCMC is described as a safety net hospital providing care to low-income, uninsured, and vulnerable populations. The State agency reimbursed HCMC over \$42 million for Medicaid services during calendar year 2007.

OBJECTIVE

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

SUMMARY OF FINDINGS

As of March 31, 2008, HCMC's Medicaid credit balances included 34 overpayments totaling \$56,389 (\$28,195 Federal share) that had not been returned to the Medicaid program. For 18 of the 34 overpayments, the ages ranged from 63 to 377 days. HCMC agreed that the overpayments occurred because of billing and payment errors.

We verified that HCMC refunded 33 of the 34 overpayments to the State agency as of September 8, 2008.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government the \$28,195 paid to HCMC for Medicaid overpayments and
- work with HCMC to review its procedures to ensure that credit balances are reviewed and overpayments are returned to the Medicaid program.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with our finding and recommendations. However, the State agency did not fully address the refund of overpayments to the Federal Government.

We continue to recommend that the State agency refund \$28,195 to the Federal Government.

The State agency's comments are included in their entirety in the Appendix.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
OBJECTIVE, SCOPE, AND METHODOLOGY	1
Objective	1
Scope.....	1
Methodology.....	2
FINDING AND RECOMMENDATIONS	2
FEDERAL AND STATE MEDICAID REQUIREMENTS.....	3
OUTSTANDING CREDIT BALANCE ACCOUNTS CONTAINING OVERPAYMENTS	3
RECOMMENDATIONS.....	4
STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE	4
APPENDIX	
STATE AGENCY COMMENTS	

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 Minnesota Department of Human Services (the State agency) is responsible for administering the Minnesota 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," require 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.

Hennepin County Medical Center (HCMC) is a 910-licensed bed hospital located in Minneapolis, Minnesota. HCMC is described as a safety net hospital providing care to low-income, uninsured, and vulnerable populations. The State agency reimbursed HCMC over \$42 million in Medicaid funding during calendar year 2007.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

As of March 31, 2008, HCMC's accounting records contained 300 credit balance accounts totaling \$274,334 with Medicaid listed as a payer. We selected all accounts with credit balances greater than \$100 and reviewed a sample of 106 accounts totaling \$268,131. The 106 credit balance accounts included 37 inpatient accounts totaling \$226,851 and 69 outpatient accounts

totaling \$41,280. We determined that 34 of the 106 accounts included Medicaid overpayments. Our review of overpayments included 29 outpatient accounts totaling \$4,940 and 5 inpatient accounts totaling \$51,449.

We limited our review of internal controls to obtaining an understanding of the policies and procedures that HCMC 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 our fieldwork from May through September 2008 at HCMC in Minneapolis, Minnesota.

Methodology

To accomplish our objective, we:

- researched and reviewed Federal and State requirements pertaining to Medicaid credit balances;
- identified and reconciled HCMC's Medicaid credit balances to its accounting records as of March 31, 2008;
- reconciled HCMC's March 31, 2008 credit balance list to the accounts receivable records, and reconciled the accounts receivable records to the trial balance;
- selected a sample of credit balance accounts with Medicaid listed as a payer and having credit balances greater than \$100;
- reviewed 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; 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 March 31, 2008, HCMC's Medicaid credit balances included 34 overpayments totaling \$56,389 (\$28,195 Federal share) that had not been returned to the Medicaid program. For 18 of

the 34 overpayments, the ages of the overpayments ranged from 63 to 377 days. HCMC acknowledged that the overpayments occurred because of billing and payment errors.

FEDERAL AND STATE MEDICAID REQUIREMENTS

Pursuant to 42 CFR 433 Subpart F, “Refunding the Federal Share of Overpayments to Providers,” States must 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 State agency must adjust the applicable claim or recover the amount of the Medicaid overpayment from the provider within 60 days of notification. Minnesota statute 256B.0641 states the provider must refund the overpayment amount to the State agency after its identification. 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 34 credit balances, HCMC had not returned Medicaid overpayments totaling \$56,389 (\$28,195 Federal share). As of March 31, 2008, the sample showed Medicaid credit balances with ages that ranged from 63 to 377 days, as the following tables summarizes.

Ages of Overpayments			
Days	# of Accounts	Overpayment Amount	Federal Share
1 - 60	16	\$33,813	\$16,907
61 – 90	5	20,831	10,416
91 – 180	9	1,100	550
181 – 365	3	560	280
366 – 1,000	1	85	42
Total	34	\$56,389	\$28,195

HCMC agreed that the overpayments occurred because of the following billing and payment errors:

- For 12 accounts, the hospital billed for the services, revised the charges and submitted another claim;

- For 11 accounts, payments were received from Medicaid and another payer for the same services;
- For nine accounts, the hospital billed for charges that were cancelled, non-covered, doubled, erroneous, or did not exist; and
- For two accounts, miscellaneous billing or payment errors occurred.

We verified that HCMC refunded 33 of the 34 overpayments to the State agency as of September 8, 2008.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government the \$28,195 paid to HCMC for Medicaid overpayments and
- work with HCMC to revise its procedures and implement training to ensure that credit balances are reviewed and overpayments are returned to the Medicaid program.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency agreed with our finding and recommendations. However, the State agency did not fully address the refund of overpayments to the Federal Government.

We continue to recommend that the State agency refund \$28,195 to the Federal Government.

The State agency's comments are included in their entirety as the Appendix.

APPENDIX



Minnesota Department of **Human Services**

November 6, 2008

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

RE: Review of Medicaid Credit Balances at Hennepin County Medical Center as of March 31, 2008
Audit Report Number A-05-08-00065

Dear Mr. Gustafson:

Thank you for the opportunity to review and comment on your report covering Medicaid credit balances at Hennepin County Medical Center (HCMC) as of March 31, 2008. It is our understanding that our response will be published in the Office of the Inspector General's final audit report. We appreciated the effort of your staff in keeping the department informed of their progress during the audit. The report contained the following recommendations

Recommendation #1: Refund to the Federal Government the \$28,195 paid to HCMC for Medicaid overpayments.

Response: We were informed by HCMC that they had returned the overpayments to the department. We have received a listing of the claims that had overpayments and will verify that all overpayments were returned.

Recommendation #2: Work with Hennepin County to revise its procedures and implement training to ensure the credit balances are reviewed and overpayments are returned to the Medicaid programs.


Response: We will provide assistance and training to HCMC on reviewing credit balances.

We provided a copy of the draft audit report to HCMC. They requested that their written response to the draft audit report be included with our response. Their comments are enclosed.

Marc Gustafson
Page 2
November 6, 2008

If you have any further questions, please contact David Ehrhardt, Internal Audit Director, at
(651) 431 3619.

Sincerely,



Cal R. Ludeman
Commissioner

Enclosure

cc: Sheri Fulcher, HHS OIG
Hennepin County Medical Center

October 28, 2008

Mr. David Ehrhardt
Internal Auditor
Minnesota Department of Human Services
St Paul MN 55164

Sent by email

Dear Mr. Ehrhardt:

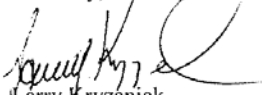
Thank you for the opportunity to offer our response to the recently completed "Review of Medicaid Credit Balances at Hennepin County Medical Center As of March 31, 2008" performed by the Office of the Inspector General.

Hennepin County Medical Center (HCMC) has processes and procedures in place to assure that all credit balances are refunded promptly, including those involving Medicaid accounts. For the audit period for the month ending on March 31, 2008, HCMC had over \$248 Million in accounts receivable and just under \$2.9 Million in credit balances. Of those credit balances, only \$274,334 potentially involved Medicaid accounts. Of the 106 accounts thoroughly reviewed by the auditors, only 34 accounts were found to have "overpayments" as defined by the OIG. These "overpayments" involved situations where the primary payer did not become known to HCMC until after charges were posted or where charges were adjusted creating a credit balance after the account went through internal quality control procedures, for example.

HCMC uses the electronic replacement claim method to refund credit balances to Medicaid. The overwhelming majority of the 34 credit balance accounts identified by the OIG had already been refunded to Medicaid or were in the process of being refunded before the audit began in May 2008. All 34 credit balance accounts have now been refunded.

We are in a constant state of process improvement and are always looking for ways to refine and enhance our patient accounting processes and procedures. Going through the OIG Review gave us a chance to closely scrutinize our credit balance management process resulting in some improvements and lessons learned. In addition, since the installation of a new patient accounting system in 2007, we have made significant strides in improving the accuracy and timeliness of our claims handling. We are confident that Medicaid credit balance accounts are being promptly identified and refunded in a timely manner. We welcome your feedback.

Sincerely,



Larry Kryzaniak
Chief Financial Officer
Hennepin County Medical Center
Minneapolis Minnesota



Hennepin County
Medical Center

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