



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

REGION V
OFFICE OF
INSPECTOR GENERAL

November 19, 2008

Report Number: A-05-08-00026

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

Dear Mr. Ludeman:

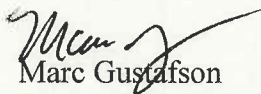
Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Medicaid Credit Balances at Lakeview Hospital as of February 1, 2008." We will forward a copy of this report to the HHS action official noted on the following page for 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-05-08-00026 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 LAKEVIEW
HOSPITAL AS OF
FEBRUARY 1, 2008**



Daniel R. Levinson
Inspector General

November 2008
A-05-08-00026

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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The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

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Notices

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 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.

Lakeview Hospital (Lakeview) is a 97-bed, acute care hospital located in Stillwater, Minnesota. Lakeview returned \$6,291 in Medicaid overpayments to the State agency during fiscal year 2007.

OBJECTIVE

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

SUMMARY OF FINDINGS

As of February 1, 2008, Lakeview's Medicaid credit balances included 23 overpayments totaling \$5,174 (\$2,587 Federal share) that had not been returned to the Medicaid program. For 15 of the 23 overpayments, the ages ranged from 63 to 996 days. Lakeview acknowledged that the overpayments occurred because its credit balance review procedures lacked detail and employees lacked training.

We verified that Lakeview refunded all 23 overpayments to the State agency as of June 3, 2008.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government the \$2,587 paid to Lakeview for Medicaid overpayments and
- work with Lakeview 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 \$2,587 to the Federal Government.

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

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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.

Lakeview Hospital (Lakeview) is a 97-bed acute care hospital located in Stillwater, Minnesota. Lakeview returned \$6,291 in Medicaid overpayments to the State agency during fiscal year 2007.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

As of February 1, 2008, Lakeview's accounting records contained 69 accounts totaling \$51,474 with Medicaid listed as a payer. We determined that 23 of the 69 accounts included Medicaid overpayments. Our review of overpayments included 19 outpatient accounts totaling \$3,623, 1 same-day surgery account totaling \$1,490, and 3 inpatient accounts totaling \$61.

We limited our review of internal controls to obtaining an understanding of the policies and procedures that Lakeview 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 February through June 2008 at Lakeview Hospital in Stillwater, Minnesota.

Methodology

To accomplish our objective, we:

- researched and reviewed Federal and State requirements pertaining to Medicaid credit balances;
- identified and reconciled Lakeview's Medicaid credit balances to its accounting records as of February 1, 2008;
- reconciled Lakeview's February 1, 2008 credit balance list to the accounts receivable records, and reconciled the accounts receivable records to the trial balance;
- reviewed patient payment data, Medicaid claim forms and remittance advices, patient accounts receivable detail and additional supporting documentation for each credit balance account; 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 February 1, 2008, Lakeview's Medicaid credit balances included 23 overpayments totaling \$5,174 (\$2,587 Federal share) that had not been returned to the Medicaid program. For 15 of the 23 credit balances, the ages of the overpayments ranged from 63 to 996 days. Lakeview acknowledged that the overpayments occurred because its credit balance review procedures lacked detail and employees lacked training.

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 23 credit balances, Lakeview had not returned Medicaid overpayments totaling \$5,174 (\$2,587 Federal share). As of February 1, 2008, Lakeview had Medicaid credit balances with ages that ranged from 9 to 996 days old.

Ages of Overpayments			
Days	# of Accounts	Overpayment Amount	Federal Share
1 - 60	8	\$2,823	\$1,412
61 – 90	2	291	145
91 – 180	5	822	411
181 – 365	6	625	312
366 – 1,000	2	613	307
Total	23	\$5,174	\$2,587

Lakeview acknowledged that the overpayments occurred because its procedures lacked detail to enable staff to identify and report Medicaid credit balances accurately and timely, and did not include sufficient training and guidance for patient account representatives to implement the procedures.

We verified that Lakeview refunded all 23 overpayments to the State agency as of June 3, 2008.

RECOMMENDATIONS

We recommend that the State agency:

- refund to the Federal Government the \$2,587 paid to Lakeview for Medicaid overpayments and

- work with Lakeview 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 \$2,587 to the Federal Government.

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

APPENDIX



Minnesota Department of **Human Services**

October 29, 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 Lakeview Hospital as of February 1, 2008
Audit Report Number A-05-08-00026

Dear Mr. Gustafson:

Thank you for the opportunity to review and comment on your report covering Medicaid credit balances at Lakeview Hospital as of February 1, 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 \$2,587 paid to Lakeview for Medicaid overpayments. .

Response: We were informed by Lakeview Hospital 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 Lakeview to revise its procedures and implement training to ensure the credit balances are reviewed and overpayments are returned to the Medicaid programs.

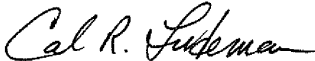
Response: We will provide assistance and training to Lakeview on reviewing credit balances.

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

Marc Gustafson
Page 2
October 29, 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
Lakeview Hospital

Bringing the best to you.



927 Churchill Street West
Stillwater, Minnesota 55082
Phone: (651) 439-5330
Toll Free: (800) 423-7212
Fax: (651) 430-8579

October 23, 2008

Report Number. A-05-08-00026

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

Dear Mr. Ludeman:

Thank you for the opportunity to comment on the preliminary audit report from the Department of Health and Human Services Office of Inspector General dated September 3, 2008 to the Minnesota Department of Human Services Commissioner.

We agree substantially with the observations and findings noted in the report with regard to Lakeview Hospital.

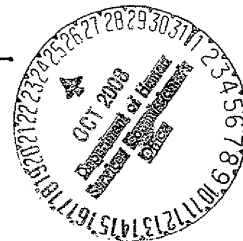
In response to the audit recommendation that: **Lakeview revise its procedures and implement training to ensure that credit balances are reviewed and overpayments are returned to the Medicaid program,** Lakeview has created detailed documentation of its credit balance review process; the documentation to be used for in-house training of patient accounting representatives to ensure compliance with the regulations.

Sincerely,

Doug Johnson
Chief Finance Officer
Lakeview Health

Cc: David Ehrhardt

Steve Rozenboom
Controller
Lakeview Hospital



Stillwater Medical Group
Lakeview Hospital
Lakeview Foundation
Lakeview Homecare & Hospice
St. Croix Valley Health & Care
Research Foundation