

**Memorandum**

APR 8 1993

Date

Bryan B. Mitchell

From

Principal Deputy Inspector General

Subject

Review of the Island Peer Review Organization's Full and Partial Denials of Medical Assistance Claims That Have Not Been Recovered by New York State (A-02-92-01009)

To

William Toby, Jr.  
Acting Administrator  
Health Care Financing Administration

This memorandum alerts you to the issuance on April 9, 1993, of our final audit report. A copy is attached. The purpose of our audit was to determine if New York State (NYS) recovered the Island Peer Review Organization's (IPRO) full and partial denials of Medicaid claims and to determine if the Federal Government received its proper share of these denied claims. Our review was limited to IPRO's denial determinations for admissions prior to January 1, 1988 with service dates between January 1, 1987 and February 29, 1988. A separate audit is planned of IPRO's denial determinations for admissions after January 1, 1988.

Section 1903 (d)(3)(c) of the Social Security Act (the Act) requires that when an overpayment is identified, the State shall have 60 days to recover or attempt to recover the overpayment from the provider. The Act further states that irrespective of whether or not the recovery is actually made, the Federal Government is to receive its portion of the overpayment after the 60-day period has ended.

Our review determined that although the IPRO had reported its Medicaid denial determinations to the NYS Department of Health, the State had not taken action to recoup the affected Medicaid funds or credit the Federal Government with its share of the denials. The IPRO denial determinations were communicated to the State in 1988 and 1989, but as of January 31, 1992, the date we used for making our review determinations, no recoupment action had been taken by the State. In our opinion, this occurred because of internal confusion between various offices within the State as to who was responsible for making the recoveries. As a result, the State did not recoup \$13,784,849 in overpayments identified over 3 years ago. In addition, the State did not credit the Federal Government with its share of the overpayments totaling

Page 2 - William Toby, Jr.

\$5,256,013 within 60 days of discovery. Appendix A of our audit report identifies the affected providers and the amount each provider owes. This information will permit NYS to quickly recover the \$13,784,849 in identified overpayments from the providers.

We are recommending that the State immediately return \$5,256,013 to the Federal Government. Additionally, we are recommending that the State ensure that all denial determinations identified by peer review organizations are recovered timely and that the Federal share is returned in accordance with the provisions of the Act.

In their comments, State officials contend that approximately \$4.9 million in recoveries have been made to date and that the remaining identified overpayments are being reviewed and recoveries will be made. However, the State did not specifically indicate what portion (if any) of the \$5,256,013 Federal share amount identified in our report has been returned to the Federal Government. Regional officials of the Health Care Financing Administration generally concurred with the findings and recommendations contained in our report.

For further information, contact:

John Tournour

Regional Inspector General

for Audit Services, Region II

(212) 264-4620

Attachment

Department of Health and Human Services  
**OFFICE OF  
INSPECTOR GENERAL**

REVIEW OF THE ISLAND PEER REVIEW ORGANIZATION'S FULL  
AND PARTIAL DENIALS OF MEDICAL ASSISTANCE CLAIMS THAT  
HAVE NOT BEEN RECOVERED BY NEW YORK STATE

NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES  
ALBANY, NEW YORK

FOR ADMISSIONS PRIOR TO JANUARY 1, 1988  
WITH SERVICE DATES BETWEEN  
JANUARY 1, 1987 AND FEBRUARY 28, 1988

*The designation of the 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/Office of Audit Services. Final determination on these matters will be made by authorized officials of the HHS operating divisions.*



APRIL 1993    A-02-92-01009



DEPARTMENT OF HEALTH & HUMAN SERVICES

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Office Of Inspector General  
Office Of Audit Services

Region II  
Jacob K. Javits Federal Building  
26 Federal Plaza  
New York, NY 10278

APR - 9 1993

Our Reference: Common Identification No. A-02-92-01009

Ms. Mary Jo Bane  
Commissioner  
New York State Department  
of Social Services  
40 North Pearl Street  
Albany, New York 12243

Dear Ms. Bane:

Enclosed for your information and use are two copies of a HHS/OIG Office of Audit Services report titled "Review of the Island Peer Review Organization's Full and Partial Denials of Medical Assistance Claims That Have Not Been Recovered by New York State." Our audit covered admissions prior to January 1, 1988 with service dates between January 1, 1987 and February 28, 1988.

If you have any questions or comments on the enclosed report, please contact Mr. Timothy Horgan, Audit Manager, at (212) 264-1297.

Sincerely yours,

John Tournour  
Regional Inspector General  
for Audit Services

(2) Enclosures



DEPARTMENT OF HEALTH & HUMAN SERVICES

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Office Of Inspector General  
Office Of Audit Services

Region II  
Jacob K. Javits Federal Building  
26 Federal Plaza  
New York, NY 10278

Our Reference: Common Identification Number A-02-92-01009

Ms. Mary Jo Bane  
Commissioner  
New York State Department  
of Social Services  
40 North Pearl Street  
Albany, New York 12243

Dear Ms. Bane:

This is to advise you of the results of our REVIEW OF THE ISLAND PEER REVIEW ORGANIZATION'S FULL AND PARTIAL DENIALS OF MEDICAL ASSISTANCE CLAIMS THAT HAVE NOT BEEN RECOVERED BY NEW YORK STATE. The purpose of our review was to determine if New York State (NYS) recovered the Island Peer Review Organization's (IPRO) full and partial denials of Medicaid claims and to determine if the Federal Government received its proper share of these denials. Our audit was limited to IPRO's denial determinations for admissions prior to January 1, 1988 with service dates between January 1, 1987 and February 28, 1988.

Our review determined that NYS has not recouped \$13,784,849 related to 3,406 full and partial denials of Medicaid claims identified by the IPRO. Of this amount, \$10,529,450 was applicable to Federal financial participation (FFP) of which the Federal share was \$5,256,013. We also found that the Federal Government has not been properly credited with its share of these denials.

Section 1903 (d)(3)(c) of the Social Security Act requires that when an overpayment is identified, the State shall have 60 days to recover or attempt to recover the overpayment from the provider. The Act further states that irrespective of whether or not the recovery is actually made, the Federal Government is to receive its portion of the overpayment after the 60-day period has ended.

Our review noted that although IPRO had reported its Medicaid denial determinations to the NYS Department of Health (DOH), the State had not taken action to recoup the affected Medicaid funds or credit the Federal Government with its share of the denials. The IPRO denial determinations were communicated to the State in 1988 and 1989, but as of January 31, 1992, the date we used for making our review determinations, no recoupment action had been taken by the State. In our opinion, this occurred because of internal confusion between various offices within the State as to who was responsible for making the recoveries. As a result, the State failed to recoup \$13,784,849 in overpayments identified over 3 years ago. In addition, the State failed to credit the Federal Government with its share of the overpayments totaling \$5,256,013 within 60 days of discovery.

We are recommending that the State immediately return \$5,256,013 to the Federal Government. Additionally, we are recommending that the State ensure that all denial determinations identified by peer review organizations are recovered timely and that the Federal share is returned in accordance with the provisions of the Social Security Act.

## INTRODUCTION

### Background

The Medicaid program, authorized by Title XIX of the Social Security Act, as amended, provides grants to States for furnishing medical assistance to eligible low-income persons. The States arrange with medical service providers such as physicians, pharmacies, hospitals, nursing homes, and other organizations to provide the needed medical assistance.

On May 1, 1966, NYS initiated its Medicaid program. The NYS Department of Social Services (DSS) is the Single State Agency for Medicaid. The DSS delegates certain of its responsibilities to other State agencies. One such agency is the DOH which is responsible for developing medical standards, monitoring the quality of care provided to patients, and establishing Medicaid rates and fees. To ensure that the services provided to a patient are appropriate and to help control health care costs, the DOH contracted with three peer review organizations (PROs) to perform utilization reviews during our audit period. As part of their reviews, the PROs evaluate the appropriateness of inpatient hospital admissions and discharges and review the quality of care provided.

During our review period, IPRO's responsibilities included reviewing inpatient stays (except AIDS cases) at New York City and Long Island hospitals. When the IPRO performed peer reviews of inpatient hospital stays reimbursed by Medicaid, it determined whether the services provided by the hospitals were appropriate and whether the care provided met professionally recognized standards. Based on their

peer review, the IPRO either approved a hospital stay, disallowed the entire stay which should have resulted in full recovery of Medicaid funds, or disallowed a portion of the stay which should have resulted in a partial recovery of Medicaid funds.

When the IPRO denied an entire stay or a portion of a stay, the denial determination was sent to the affected hospital. Hospital officials then had the opportunity to appeal the determination. If, after appeal, the IPRO determined that the denial was appropriate, it notified the hospital of its final determinations. The IPRO also notified the Contracting Officer within the NYS DOH of these determinations. The State had the responsibility to ensure that the affected Medicaid funds were recovered and the corresponding Federal share returned to the Federal Government.

During our review period, the IPRO denied 35,213 inpatient days related to 4,969 inpatient stays at 91 hospitals in New York City and Long Island. These denials related to both full and partial stays. The 35,213 days were reported directly to NYS which was supposed to ensure that the affected Medicaid funds were recovered. Section 1903 (d)(3)(c) of the Social Security Act requires that when an overpayment is identified, the State shall have 60 days to recover or attempt to recover the overpayment from the provider. The Act further states that irrespective of whether or not the recovery is actually made, the Federal Government is to receive its portion of the overpayment after the 60-day period has ended.

#### Scope of Review

The purpose of our audit was to determine if NYS recovered the IPRO's full and partial denials of Medicaid claims and to determine if the Federal Government received its proper share of these denied claims. Our review was limited to IPRO's denial determinations for admissions prior to January 1, 1988 with service dates between January 1, 1987 and February 28, 1988. For Medicaid admissions prior to January 1, 1988, inpatient hospital services were paid through the State's Medicaid Management Information System (MMIS) using the per diem method of reimbursement. Effective January 1, 1988, hospitals in NYS were paid by the MMIS on the basis of the Diagnosis Related Group (DRG) system of reimbursement.

For our review period, we obtained final determination information from the IPRO which had previously been sent to NYS for recoupment. We also performed various computer programming applications at the MMIS fiscal agent to determine if the denials recommended by the IPRO had been recovered by the State. Our applications extracted all inpatient claims on file at the MMIS fiscal agent for the 91 hospitals at which the IPRO denied Medicaid stays for our period of services. We compared the denial determination information to the claims information extracted from the MMIS to determine if recoupment action had occurred. Where no recoupment action was indicated, we calculated the overpayment amount not recovered. Our computations were made as of January 31, 1992.

Our review was conducted in accordance with governmental auditing standards. It included such tests and other auditing procedures that we considered necessary in the circumstances. During our review, we interviewed IPRO and State officials and reviewed relevant policies and procedures. While acquiring an understanding of the internal control structure, it became apparent that no internal controls, edits, or other mechanisms existed which would ensure the recoupment of the denial determinations made by the IPRO for our review period. As a result, we assessed control risk at the maximum level and decided to perform substantive testing of the Medicaid denials for the 91 hospitals included in our review. As part of our review, we did not perform a facility-wide review of electronic data processing general and application controls within the MMIS.

Audit field work was performed at: DSS, DOH, and the MMIS fiscal agent in Albany, New York during the period January 1992 to June 1992. In addition, site visits were made to the IPRO, Lake Success, New York during the months of January and May 1992.

## RESULTS OF REVIEW

### IPRO Medicaid Denials Not Recovered by the State

Our review noted that during the period of our audit, the IPRO recommended full and partial denials of Medicaid claims related to 4,969 inpatient stays at the 91 hospitals included in our review. We were able to locate 4,340 of the 4,969 inpatient stays on the MMIS claims history but were unable to find the remaining 629. Of the 4,340, our review determined that the State had not recovered the affected Medicaid funds for 3,406 (or 78.5 percent) of the IPRO denials but NYS had recovered the remaining 934. For the 629 inpatient stays not located on the MMIS claims history, we were unable to determine if the State had recouped the affected Medicaid funds. The NYS and the IPRO will have to research why no inpatient histories existed. The total amount not recovered for the 3,406 inpatient stays was \$13,784,849. Of this amount, \$10,529,450 was applicable to FFP, of which the Federal share was \$5,256,013. We found that the Federal Government had not been properly credited with its share of these denials as required.

As defined in 42 CFR Part 433, an overpayment includes any amount paid by a Medicaid agency to a provider which is in excess of the amount that is allowable for services furnished under Section 1902 of the Act and which is required to be refunded under Section 1903 of the Act. According to Federal regulations, NYS DSS should report these overpayments to the Federal Government based on the first written



notice to the provider and recover or attempt to recover the overpayments within 60 days of written notification. Federal regulations further require that regardless of whether or not the recovery is actually made, the Federal Government is to receive its portion of the overpayment after the 60-day period had ended.

Our review noted that although the IPRO had reported its Medicaid denial determinations to the hospitals and the Contracting Officer within the NYS DOH, the NYS DSS had not recouped the affected Medicaid funds or credited the Federal Government with its share of the denials. In our opinion, this occurred because of internal confusion between various offices within NYS as to who was responsible for making the recoupments. The Contracting Officer, who confirmed that the IPRO denials included in our review had not been recovered, indicated that he forwarded the IPRO denial determinations to another office within the NYS DOH who he thought would ensure that the recoupments were made. Apparently, the DOH office that allegedly received the IPRO denial determinations from the Contracting Officer was unaware it had received them and that it was responsible for ensuring that the denials were recovered either by the DOH itself, or by the DSS or the IPRO. As a result of this confusion, the affected Medicaid funds were not recouped and the Federal Government was not properly credited with \$5,256,013. Appendix A of our report includes a summary of the total and Federal share amounts not recovered for each of the 91 providers included in our review.

### Recommendations

We recommend that NYS:

1. Immediately refund \$5,256,013 to the Federal Government for Medicaid denials made by the IPRO during our audit period that were not recouped or credited by the State.
2. Determine if the applicable Medicaid funds have been recovered and whether the Federal Government has received its share of these funds for the 629 denial determinations that we were unable to locate on the MMIS claims history. A list of the 629 determinations has already been forwarded to the IPRO and NYS.
3. Develop appropriate procedures to ensure that all denial determinations identified by peer review organizations are recovered timely and credited to the Federal Government in accordance with Section 1903 of the Social Security Act.

STATE AGENCY COMMENTS

Both the NYS Department of Social Services (DSS) and the NYS Department of Health (DOH) provided comments to our report. The NYS DSS comments are dated December 21, 1992 and the NYS DOH comments are dated December 3, 1992.

In the State's comments, an official of the NYS DSS stated that according to the DOH, \$5.0 million of the \$13.7 million of identified overpayments has already been collected and the Federal Government credited with its share. The DSS official also indicated that the remaining identified overpayments are being reviewed and that recoveries will be made. Additionally, the DSS official stated that they are reviewing the list of the 629 clients' claims we were unable to locate on the MMIS history file to determine their status. However, the DSS official commented that these were old claims that were processed in 1987 and 1988.

In response to our recommendation number one that NYS immediately refund \$5,256,013 to the Federal Government, DOH officials stated that it is the NYS DSS' responsibility to refund money to the Federal Government and as such they cannot comment on whether the Federal Government has received its share of the identified overpayments. The DOH officials indicated that they instructed the IPRO to process over \$5 million of the \$13 million in denials identified by our audit and that of this amount, approximately \$4.9 million was recovered in July 1992. Additionally, they stated that several hundred thousand dollars in additional recoveries are now being processed. The DOH officials also stated that the remaining \$8 million in partial denials has not been recouped, but they indicated that they will work with the NYS DSS to determine how to best make the recoveries.

In response to recommendation number two regarding the 629 denial determinations we were unable to locate on the MMIS claims history, DOH officials contend that neither they nor the IPRO have the means of tracing these claims to the MMIS history files and that cooperation with the DSS is necessary to determine their status. Regarding recommendation number three, DOH officials stated that they, along with the DSS, have developed procedures to recoup denial determinations identified by the IPRO.

The State's comments are provided in their entirety in Appendix B of this report.

OIG RESPONSE

We are pleased to note that the State appears to generally concur with the findings contained within our report and that they have begun to recoup some of the identified overpayments. Clearly, our audit was the impetus for the State's initiation of its recoupment actions. However, as stated in the body of our report, Section 1903 (d)(3)(c) of the Social Security Act requires that when an overpayment is identified,

the State shall have 60 days to recover or attempt to recover the overpayment from the provider. The Act further states that irrespective of whether or not the recovery is actually made, the Federal Government is to receive its portion of the overpayment after the 60-day period has ended. Given the provisions of the Act, the State is required to immediately return the full \$5,256,013 Federal share amount of the overpayments, since they were identified over 3 years ago.

Additionally, because of contradictory statements and the lack of specificity in the State's comments, which are discussed in more detail below, it is unclear to us if any portion of the Federal share amount has been returned by the State's recoupment actions to date. Therefore, we are continuing to recommend that the State refund the full \$5,256,013 to the Federal Government. If any of this amount has in fact already been returned, then the State will have to provide the Health Care Financing Administration with evidence and documentation which clearly show what portion of the \$5,256,013 was refunded and return the balance.

In the State's response, there is an apparent contradiction as to whether any Federal share amounts have in fact been returned to the Federal Government. Specifically, in his comments, the DSS official states that: "According to DOH, \$5.0 million of the \$13.7 million of identified overpayments has already been collected and the Federal government credited for its share." However, the DOH comments state that: "Since refunds to the federal government are the responsibility of the Department of Social Services (DSS), the Department of Health (DOH) cannot comment on whether the Federal government has been credited for refunds." Additionally, the DOH comments go on to state that the ". . . crediting of the Federal share are within the purview of the Department of Social Services." This apparent conflict between the DSS and the DOH comments makes it unclear if any of the Federal share amounts have in fact been returned. As such, we continue to recommend that the State immediately refund \$5,256,013 to the Federal Government.

In addition to the contradiction discussed above, the State's comments are vague as to the total amounts recovered to date and they do not identify the Federal share of the alleged recoveries. For example, the DSS official indicates that according to the DOH, \$5.0 of the \$13.7 million has been recovered. These figures do not show the exact amounts recovered nor do they indicate the Federal share amount of the recoveries. Additionally, in their comments, DOH officials also used rounded off numbers which do not show the specific amounts recovered and their corresponding Federal share. For example, the DOH comments indicate that they instructed the IPRO to process over \$5 million of the \$13 million in denials identified by our audit and that approximately \$4.9 million was recouped in July 1992 with several hundred thousand dollars more being processed. Also, the DOH comments state that the remaining \$8 million in partial denials has not been recouped. This vagueness does not tell the reader the specific amount that has been recovered or the amount that remains unrecovered. Additionally, nowhere in the State's response do they indicate

how much (if any) of the Federal share has actually been returned and how much still has to be returned. As indicated above, the State is required to credit the Federal Government with its share of the identified overpayments within 60 days of discovery, irrespective of whether or not the State has actually made the recoveries.

Regarding the 629 denial determinations we were unable to locate on the MMIS claims history, a representative from the DSS contacted us on December 23, 1992 and we provided that individual with the information necessary for him to research the claims in question. Previously, these claims were supplied to the IPRO. We are encouraged by the State's actions and urge them to quickly determine the status of these 629 claims so that any unrecovered Medicaid funds can be recouped and the corresponding Federal share returned.

We are also pleased to note that the DSS and the DOH have developed procedures to ensure that denial determinations identified by the IPRO are being recouped. In their comments, the State indicates that the void system, which denies the entire claim, has been fully operational for the last year and a half and that the partial claims denial system has been fully operational over the last several months. However, we must again reiterate that the Federal share of the overpayments identified by the IPRO must be returned to the Federal Government within 60 days of discovery.

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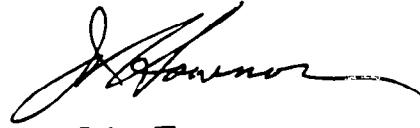
Final determination as to actions taken on all matters reported will be made by the HHS official named below. We request that you respond within 30 days to the HHS official named below, presenting any comments or additional information that you believe may have a bearing on his final decision.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), HHS/Office of Inspector General (OIG), Office of Audit Services reports issued to the Department's grantees and contractors are available, if requested, to members of the press and 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).

Page 9 - Mary Jo Bane

To facilitate identification, please refer to the referenced common identification number in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "John Tournour", with a long, sweeping underline.

John Tournour  
Regional Inspector General  
for Audit Services

Direct Reply to:

Mr. Arthur J. O'Leary  
Associate Regional Administrator  
Division of Medicaid, HCFA, Region II  
U.S. Department of Health and Human Services  
26 Federal Plaza, Room 38-130  
New York, New York 10278

## APPENDICES

## SCHEDULE OF NON-RECOVERED AMOUNTS

PROVIDER NO.	PROVIDER NAME	TOTAL AMOUNT NOT RECOVERED	NON-RECOVERED FEDERAL SHARE
00243105	Beth Israel Hospital	\$248,014	\$96,471
00243132	Cabrini Medical Center	46,818	13,242
00243178	Presbyterian Hospital - NYC	1,795,541	738,842
00243201	St. Clares Hospital	33,009	10,546
00243229	St. Vincent's Hospital Med Ctr	7,661	2,736
00243265	Pelham Bay General Hospital	15,682	4,330
00243361	St. Barnabas Hospital	177,711	68,457
00243370	Hospital for Special Surgery	17,753	8,571
00243389	Hospital for Joint Diseases	26,510	11,909
00243421	Lenox Hill Hospital	8,591	2,950
00243449	Victory Memorial Hospital	13,262	6,781
00243458	Manhattan Eye Ear Throat Hospital	7,278	2,830
00243467	Memorial Hospital Cancer Allied	132,122	61,381
00243476	NY Eye and Ear Infirmary	17,616	7,890
00243509	Mount Sinai Hospital	534,758	258,051
00243518	New York Hospital	155,521	69,977
00243554	Montefiore Medical Center	88,445	40,128
00243563	Our Lady of Mercy Med Ctr	55,338	27,888
00243572	Brookdale Hospital Med Ctr	327,644	115,396
00243590	University Hospital of Brooklyn	84,496	35,299
00243614	Brooklyn Caledonian Hospital	63,272	29,154
00243623	Hospital of the Holy Family	3,246	846
00243641	Maimonides Medical Center	301,290	135,144
00243669	Kingsbrook Jewish Med Ctr	59,200	29,347
00243678	Long Island College Hospital	285,246	119,110
00243696	Community Hospital of Brooklyn	882	294
00243701	Methodist Hospital of Brooklyn	19,896	7,503
00243729	Lutheran Medical Center	53,247	18,254
00243825	Wyckoff Heights Hospital	69,831	8,473
00243843	Flushing Hospital & Med Ctr	12,246	4,428
00243852	Jamaica Hospital	44,441	20,530
00243861	Mary Immaculate Hospital	8,128	3,219
00243880	La Guardia Hospital	956	0
00243898	Peninsula Hospital Center	0	0
00243903	Long Island Jewish Med Ctr	21,792	10,896
00244091	Nassau County Medical Center	44,776	21,612
00244124	St. John's Queens Hospital	36,105	16,461
00244133	Booth Memorial Hospital Center	16,483	7,784
00244151	Parkway Hospital	688	172
00244188	Richmond Memorial Hospital	0	0
00244202	Staten Island University Hospital	34,168	16,862
00244211	Winthrop University Hospital	1,247	615
00244784	Astoria General Hospital	1,031	515
00245083	Union Hospital of the Bronx	3,782	1,607
00245487	Long Beach Memorial Hospital	707	323
00245496	South Nassau Communities Hospital	313	156
00245510	North Shore University Hospital	19,496	9,748
00245529	Brookhaven Memorial Hospital	44,311	22,155
00245703	King's Highway Hospital	491	245
00246039	Bellevue Hospital Center	561,385	143,733
00246048	Bronx Municipal Hospital Center	257,113	96,280
00246066	Coney Island Hospital	55,095	1,753
00246075	City Hospital Center at Elmhurst	1,053,336	387,986
00246108	Harlem Hospital Center	528,396	126,973
00246117	Kings County Hospital Center	709,326	243,484
00246126	Lincoln Hospital Center	513,000	238,971
00246132	Metropolitan Hospital Center	885,819	341,775
00246153	Queens Hospital	641,570	223,228
00246171	North Central Bronx	885,666	377,445
00248820	St Vincent's Med Ctr Richmond	4,116	1,854
00268295	Brunswick Hospital Center	429	0
00268319	Southside Hospital	7,499	1,450
00268328	Franklin Hospital Med Ctr	2,638	1,319
00273056	Medical Arts Center Hospital	5,709	1,484
00273065	Parsons Hospital	33,020	14,433
00273116	NY University Medical Center	300,850	142,009
00273285	Hempstead General Hospital	3,229	988
00274231	Central General Hospital	11,748	5,874
00274240	Community Hospital of Glen Cove	436	218
00274295	Mercy Hospital	2,982	1,491
00274300	Mid Island Hospital	975	487
00274328	Central Suffolk Hospital	2,487	1,243
00274346	Good Samaritan Hospital	734	367
00274355	Huntington Hospital	797	398
00274364	John T. Mather Memorial Hospital	8,410	2,770
00274382	Community Hosp of Western Suffern	0	0
00274406	South Hampton Hospital	0	0
00274415	St. Charles Hospital	2,134	152
00354967	St. Luke's Roosevelt Hospital Ctr	466,675	155,263
00355142	North General Hospital	141,496	51,210
00357792	University Hospital	110,069	53,571
00358085	Baptist Medical Center of NY	52,989	25,714
00476022	Bronx Lebanon Hospital Center	660,296	241,713
00498531	St. Joseph's Hospital	564	282
00647269	NY Downtown Hospital	4,520	1,507
00652328	Bayley Seton Hospital	4,976	1,244
00698866	Woodhull Med & Mental Health Ctr	439,658	145,815
00710430	Beth Israel Medical Center	87,651	10,678
00729373	St. Mary's Hospital of Brooklyn	87,559	32,125
00729382	The Church Charity Foundation	91,781	10,177
00734336	Interfaith Medical Center	339,895	117,932
TOTAL FOR 91 HOSPITALS		\$13,784,849	\$5,256,013

NEW YORK STATE  
DEPARTMENT OF SOCIAL SERVICES  
40 NORTH PEARL STREET, ALBANY, NEW YORK 12243-0001

MARY JO BANE  
*Commissioner*



NELSON M. WEINSTOCK  
*Deputy Commissioner  
for Administration*

December 21, 1992

Mr. John Tournour  
Regional Inspector General  
for Audit Services  
Department of Health and Human Services  
Region II  
Jacob K. Javits Federal Building  
26 Federal Plaza  
New York, NY 10278

Re: Your Draft Audit Report: Review of  
Island Pear Review Organization's  
Full and Partial Denials of Medical  
Assistance Claims that have not  
been Recovered by NYS A-02-92-01009  
92-050

Dear Mr. Tournour:

We shared the referenced report with the Department of Health and their comments are attached for your consideration.

According to DOH, \$5.0 million of the \$13.7 million of identified overpayments has already been collected and the Federal government credited for its share. The remaining identified overpayments are being reviewed and recoveries will be made.

We have received from the Department of Health the list of 629 claims the auditors were unable to locate on the history files and will determine their status. It should be recognized that these are old claims processed in 1987 and 1988.

\*Office of Audit Services Note -- Comments have been deleted at this point because they pertain to material not included in the final report.

We appreciate having an opportunity to comment.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joseph P. Ferrone".

Joseph P. Ferrone  
Director  
Audit Resource Management

Attachment  
cc: John Berbach ✓





# STATE OF NEW YORK DEPARTMENT OF HEALTH

Coming Tower The Governor Nelson A. Rockefeller Empire State Plaza Albany, New York 12237

Mark R. Chassin, M.D., M.P.P., M.P.H.  
*Commissioner*

Paula Wilson  
*Executive Deputy Commissioner*

December 3, 1992

Joseph P. Ferrone  
Director  
Audit and Resource Development  
Department of Social Services  
74 State Street  
Albany, New York 12207

Attention: Jovan Paunovich

Dear Mr. Ferrone:

Enclosed are the Department of Health's comments on the federal draft audit entitled, "Review of the Island Peer Organization's Full and Partial Denials of Medical Assistance Claims That Have Not Been Reccovered By New York State" for admissions prior to January 1, 1988 with service dates between January 1, 1987 to February 28, 1988.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert W. Reed".

Robert W. Reed  
Director  
Fiscal Management Group

enclosure

cc: Mr. Sweeney  
Mr. VanDeCarr  
Mr. Hartman  
Ms. Rehak  
Mr. Osten  
Mr. Heigel  
Dr. Guy  
Mr. Stenson  
Mr. Smith  
Ms. Ferrara

**Department of Health Comments on DHHS/OIG Draft Audit entitled, "Review of the Island Peer Review Organization's Full and Partial Denials of Medical Assistance Claims That Have Not Been Recovered by New York State"  
(CIN A-02-92-01009)**

The Department of Health has reviewed the Department of Health and Human Services' draft audit, "Review of the Island Peer Review Organization's Full and Partial Denials of Medical Assistance Claims That Have Not Been Recovered By New York State". The Department's comments are as follows.

**Recommendation 1** - Immediately refund \$5,256,013 to the Federal Government for Medicaid denials made by the IPRO during our audit period that were not recouped or credited by the State.

**Response** - Since refunds to the federal government are the responsibility of the Department of Social Services (DSS), the Department of Health (DOH) cannot comment on whether the Federal government has been credited for refunds. IPRO was, however, instructed by the DOH to process over \$5 million of the \$13 million in denials identified in the audit through the current recoupment system. Approximately \$4.9 million of these \$5 million in voided claims were recouped in July, 1992. Several hundred thousand dollars in additional recoupment for 1987 voided claims are now being processed. This recoupment should take place within the next several months.

The remaining \$8 million in partial denials have not as yet been recouped. The Bureau of Hospital Services will work with the Bureau of MMIS and Department of Social Services to determine how best to effect this recoupment. These claims are now on tape and the Department's intent is to process them through the current partial denial system which has recently become fully operational (over \$12 million in partial denials have been recouped during the last several months.) There may be a problem since the tape format of the denials may not meet current DSS requirements and, as a result, the Department of Health may need DSS' technical support to complete this process.

**Recommendation 2** - Determine if the applicable Medicaid funds have been recovered and whether the Federal Government has received its share of these funds for the 629 denial determinations that we were unable to locate on the MMIS claims history. A list of the 629 determinations has already been forwarded to the OPRO.

**Response** - The follow up on the 629 claims which the auditors were unable to locate must be done by the Department of Social Services. Neither the DOH or IPRO have the means of tracing this claims history information. These claims were provided on the original MMIS tapes which IPRO reviewed in 1987. However, as indicated in this audit, there is no longer a claims history file on these cases. This could mean they were either voided by the hospital directly or dropped from the file as a result of other recoupment efforts. Cooperation with the DSS is necessary to follow through with corrective action.

**Recommendation 3** - Develop appropriate procedures to ensure that all denial determinations identified by peer review organizations are recovered timely and credited to the Federal Government in accordance with Section 1903 of the Social Security Act.

**Response** - Departments of Health and Social Services have developed procedures to insure that all denial determinations identified by IPRO are recouped. Since the system has become fully operational, over \$80 million in Medicaid inpatient reimbursement has been recouped from hospitals. The void system which denies the entire claim has been fully operational for the last year and a half; the partial system has become fully operational over the last several months.

The ongoing operation of this system is, however, the responsibility of DSS and its effectiveness is subject to their continued support.

**\*Office of Audit Services Note** -- Comments have been deleted at this point because they pertain to material not included in the final report.