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

REGION V
OFFICE OF
INSPECTOR GENERAL

June 4, 2009

Report Number: A-05-08-00089

Mr. Barry S. Maram
Director
Illinois Department of Healthcare and Family Services
201 South Grand Avenue East
Springfield, Illinois 62763-0001

Dear Mr. Maram:

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 St. Joseph Hospital as of June 30, 2007." We will forward a copy of this report to the HHS action official noted below.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. 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 direct them to the HHS action official. Please refer to report number A-05-08-00089 in all correspondence.

Sincerely,

Marc Gustafson
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

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 ST. JOSEPH HOSPITAL AS OF JUNE 30, 2007

Daniel R. Levinson
Inspector General

June 2009
A-05-08-00089

Office of Inspector General

http://oig.hhs.gov

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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 Illinois Department of Healthcare and Family Services (the State agency) is responsible for administering the Illinois 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 payment for the same service from 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," implements section 1903(d)(2)(C) and (D) of the Act, requiring 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.

St. Joseph Hospital (the hospital) is a 30 licensed-bed healthcare facility, located in Chicago, Illinois. The State agency reimbursed the hospital approximately $24 million for Medicaid services during calendar year 2007.

OBJECTIVE

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

SUMMARY OF RESULTS

The Medicaid credit balances recorded in the hospital's accounting records for inpatient and outpatient services did not represent overpayments that should be returned to the Medicaid program. As a result, this report contains no recommendations.

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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 Illinois Department of Healthcare and Family Services (the State agency) is responsible for administering the Illinois Medical Assistance Program (Medicaid).

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Federal regulations at 42 CFR 433 subpart F, "Refunding the Federal Share of Overpayments to Providers," implements section 1903(d)(2)(C) and (D) of the Act, requiring States to adjust any outstanding credit balances. Accordingly, the provider must request an adjustment to the claim or refund the amount to the State agency. Subsequently, the State agency must adjust the applicable claim or recover the amount of the Medicaid overpayment.

St. Joseph Hospital (the hospital) is a 30 licensed-bed healthcare facility, located in Chicago, Illinois. The State agency reimbursed the hospital approximately $24 million for Medicaid services during calendar year 2007.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

As of June 30, 2007, the hospital's accounting records contained 133 credit balance accounts totaling $67,245 with Medicaid listed as a payer. Our review of credit balances included seven outpatient accounts totaling $18,251 and four inpatient accounts totaling $34,000. We limited our review of internal controls to obtaining an understanding of the policies and procedures used by the hospital 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 fieldwork from August through October 2008 at St. Mary of Nazareth hospital located in Chicago, Illinois, where St. Joseph hospital maintained its accounting records.

Methodology

To accomplish our objective, we:

- reviewed Federal and State requirements pertaining to Medicaid credit balances;
- identified and reconciled the hospital Medicaid credit balances to its accounting records as of June 30, 2007;
- reconciled the hospital's June 30, 2007 credit balance list to the accounts receivable records and reconciled the accounts receivable records to the trial balance; and
- reviewed patient payment data, Medicaid claim forms and remittance advices, patient accounts receivable detail and additional supporting documentation for each credit balance account.

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.

RESULTS OF AUDIT

The Medicaid credit balances recorded in the hospital's accounting records for inpatient and outpatient services did not represent overpayments that should be returned to the Medicaid program. As a result, this report contains no recommendations.