



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region V
233 North Michigan Avenue
Suite 1360
Chicago, IL 60601

February 23, 2012

Report Number: A-05-10-00082

Ms. Olga Dazzo
Director
Michigan Department of Community Health
Capitol View Building
201 Townsend Street
Lansing, MI 48913

Dear Ms. Dazzo:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Michigan Medicaid Payments to Terminated Providers for Posttermination Services*. 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.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact David Markulin, Audit Manager, at (312) 353-1644 or through email at David.Markulin@oig.hhs.gov. Please refer to report number A-05-10-00082 in all correspondence.

Sincerely,

for Stephen Slamat
for Sheri L. Fulcher
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, IL 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MICHIGAN
MEDICAID PAYMENTS TO
TERMINATED PROVIDERS FOR
POSTTERMINATION SERVICES**



Daniel R. Levinson
Inspector General

February 2012
A-05-10-00082

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:

Office of Audit Services

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.

Office of Evaluation and Inspections

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.

Office of Investigations

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.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

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.

Pursuant to section 1903(a)(1) of the Act, Federal reimbursement is available for payment for services that are provided as medical assistance under a State plan. The amount of Federal Government reimbursement to State Medicaid agencies, known as Federal financial participation or Federal share, is determined by the Federal medical assistance percentage, which varies based on a State's relative per capita income.

In Michigan, the Department of Community Health (the State agency) administers the State's Medicaid program and oversees compliance with Federal and State requirements. Medicaid payments to terminated providers for posttermination services are generally unallowable for Federal reimbursement pursuant to the Michigan State plan.

OBJECTIVE

Our objective was to identify Medicaid overpayments made to providers for services furnished on or after their effective termination dates.

SUMMARY OF FINDINGS

We did not identify overpayments for 249 of 251 reviewed providers for services furnished on or after their effective termination dates. For the two remaining providers, the State agency did not identify and recover \$142,688 (\$81,887 Federal share) of overpayments because its Medicaid claims processing system did not contain edits to appropriately identify and terminate two providers who were deceased.

RECOMMENDATION

We recommend that the State agency refund \$81,887 to the Federal Government for its share of the overpayments made to the two deceased providers that were not appropriately identified and terminated.

STATE AGENCY COMMENTS

In written comments to our draft report, the State agency agreed to refund the overpayments.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Medicaid Program	1
Medicaid Payment Requirements	1
Michigan Department of Community Health	1
OBJECTIVE, SCOPE, AND METHODOLOGY	1
Objective	1
Scope	1
Methodology	2
FINDING AND RECOMMENDATION	2
FEDERAL AND STATE REQUIREMENTS	2
OVERPAYMENTS NOT RECOVERED	3
RECOMMENDATION	3
STATE AGENCY COMMENTS	3
APPENDIX	
STATE AGENCY COMMENTS	

INTRODUCTION

BACKGROUND

Medicaid Program

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.

Medicaid Payment Requirements

Pursuant to section 1903(a)(1) of the Act, Federal reimbursement is available for payment for services that are provided as medical assistance under a State plan. The amount of Federal Government reimbursement to State Medicaid agencies, known as Federal financial participation (FFP) or Federal share, is determined by the Federal medical assistance percentage, which varies based on a State's relative per capita income.

Michigan Department of Community Health

In Michigan, the Department of Community Health (the State agency) administers the State's Medicaid program and oversees compliance with Federal and State requirements.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to identify Medicaid overpayments made to providers for services furnished on or after their effective termination dates.

Scope

We reviewed State agency payments to 251 providers, with effective provider termination dates¹ between January 1, 2005 and September 13, 2009. The reviewed payments were for services furnished on or after the providers' effective termination dates. We limited our review of internal controls to discussions with State agency officials about procedures that were in place to retroactively identify and recover the overpayments identified during our review.

¹ For this review, effective provider termination dates represent those dates when Michigan Medicaid providers and suppliers were excluded, sanctioned, terminated, deceased, or the dates when such entities should have been terminated by the State agency but were not.

Our fieldwork included contacting the State agency in Lansing, Michigan.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and the CMS-approved State plan;
- used State agency lists to review 251 providers with effective termination dates during the audit period to identify potentially unallowable payments for services provided on or after a provider's effective termination date;
- analyzed Medicaid payment data and identified two providers that each received \$5,000 or more in Federal share overpayments for services furnished on or after the provider's effective termination date; and
- worked with the State agency to quantify the overpayments to these providers.

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 finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATION

We did not identify overpayments for 249 of 251 reviewed providers for services furnished on or after their effective termination dates. For the two remaining providers, the State agency did not identify and recover \$142,688 (\$81,887 Federal share) of overpayments because its Medicaid claims processing system did not contain edits to appropriately identify and terminate two providers who were deceased.

FEDERAL AND STATE REQUIREMENTS

Pursuant to section 1903(a)(1) of the Act, Federal reimbursement is available for services that are provided as medical assistance under a State plan. Overpayments to terminated providers are generally not allowable for Federal reimbursement as medical assistance under the Michigan State plan. Section 4.30 of the State plan, Transmittal Number 87-22, stipulates that payments to these entities are not allowable for services that are provided during these periods. In accordance with these requirements, the State must refund the Federal share of the overpayments that were made subsequent to the effective termination dates for the two deceased providers.

OVERPAYMENTS NOT RECOVERED

As of the start of our audit, the State agency had not recovered \$81,887 in Federal share Medicaid overpayments made to two deceased providers for services that were furnished on or after the providers' effective termination dates. The State agency indicated that the overpayments were not identified or recovered because the State's Medicaid claims processing system did not contain edits to identify and terminate providers who were deceased. Prior to our audit, the State updated its claims processing system to contain edits to appropriately terminate providers who are deceased.

Unallowable Claims and Overpayments

	Unallowable Claims	Paid Amount	FFP Amount
Provider A	29	\$73,449	\$42,850
Provider B	23	69,239	39,037
Total	52	\$142,688	\$81,887

RECOMMENDATION

We recommend that the State agency refund \$81,887 to the Federal Government for its share of the overpayments made to the two deceased providers that were not appropriately identified and terminated.

STATE AGENCY COMMENTS

In written comments to our draft report, the State agency agreed to refund the overpayments made to the two deceased providers.

APPENDIX

APPENDIX: STATE AGENCY COMMENTS



STATE OF MICHIGAN

DEPARTMENT OF COMMUNITY HEALTH
LANSING

RICK SNYDER
GOVERNOR

OLGA DAZZO
DIRECTOR

January 23, 2012

Ms. Sheri L. Fulcher
Regional Inspector General for Audit Services
Office of Inspector General
Office of Audit Services, Region V
Suite 1360
Chicago, Illinois 60601

Report Number: A-05-10-00082

Dear Ms. Fulcher:

Enclosed is the Michigan Department of Community Health's response to the draft report entitled "Review of Michigan Medicaid Payments to Terminated Providers for Posttermination Services."

We appreciate the opportunity to review and comment on the report before it is released. If you have any questions regarding this response, please refer them to Pam Myers at (517) 373-1508.

Sincerely,

A handwritten signature in blue ink, appearing to read "Olga Dazzo".

Olga Dazzo
Director

OD:kk

Enclosure

cc: Nick Lyon
Steve Fitton
Pam Myers

**Review of Michigan Medicaid Payments to terminated Providers for
Posttermination Services with Effective Termination Dates Between
January 1, 2005 and September 13, 2009
(A-05-10-00082)**

Finding

The OIG did not identify overpayments for 249 of 251 reviewed providers for services furnished on or after their effective termination dates. For the two remaining providers, the State agency did not identify and recover \$142,688 (\$81,887 Federal share) of overpayments because its Medicaid claims processing system did not contain edits to appropriately identify and terminate two providers who were deceased.

Recommendations

We recommend that the State agency refund \$81,887 to the Federal Government for its share of the overpayments made to the two deceased providers that were not appropriately identified and terminated.

DCH Response

The Department agrees with the recommendation and will refund to the Federal Government the inappropriate payments made on behalf of the two deceased providers.