

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICAL AND ANCILLARY
MEDICAID CLAIMS FOR 21 TO 64 YEAR
OLD RESIDENTS OF STATE-OPERATED
PSYCHIATRIC HOSPITALS THAT ARE
INSTITUTIONS FOR MENTAL DISEASES IN
CALIFORNIA DURING THE PERIOD
JULY 1,1997 THROUGH FEBRUARY 28,2001**



JANET REHNQUIST
Inspector General

DECEMBER 2002
A-09-01-00107

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 94-52, 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 OIG's Office of Audit Services (OAS) provides all 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 in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the department.

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DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

Office of Audit Services

Region IX

50 United Nations Plaza, Room 171

San Francisco, CA 94102

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Report Number:

A-09-01-00107

Mr. Stan Rosenstein
Assistant Deputy Director of
Medical Care Services
Department of Health Services
714 P Street, Room 1253
Sacramento, California 95814

Dear Mr. Rosenstein

Enclosed are two copies of the Department of Health and Human Services, Office of Inspector General (OIG), Office of Audit Services' (OAS) final report entitled, "Review of Medical and Ancillary Medicaid Claims for 21 to 64 Year Old Residents of State-Operated Psychiatric Hospitals that are Institutions for Mental Diseases in California during the Period July 1, 1997 through February 28, 2001."

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, OIG, OAS reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act (see 45 CFR part 5). As such, within 10 business days after the final report is issued, it will be posted on the world wide web at <http://oig.hhs.gov>.

To facilitate identification, please refer to report number A-09-01-00107 in all correspondence relating to this report.

Sincerely,

Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosures

Department of Health and Human Services

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Mr. Stan Rosenstein
Assistant Deputy Director of
Medical Care Services
Department of Health Services
714 P Street, Room 1253
Sacramento, California 95814

Dear Mr. Rosenstein:

This report provides you with the results of our *Review of Medical and Ancillary Medicaid Claims for 21 to 64 Year Old Residents of State-Operated Psychiatric Hospitals that are Institutions for Mental Diseases in California during the Period July 1, 1997 through February 28, 2001*. This audit is part of our ongoing review of Medicaid billings for patients in institutions for mental diseases (IMD).

The objective of this audit was to determine if the state of California had adequate controls to preclude claiming federal financial participation (FFP) under the Medicaid program when 21 to 64 year old residents of state-operated IMDs received physician services, laboratory and clinic services, and hospital outpatient treatment. Our review covered Medicaid payments for the period July 1, 1997 through February 28, 2001.

Our review disclosed that the state substantially complied with federal rules prohibiting claims for FFP under the Medicaid program for medical and ancillary services provided to residents 21 to 64 years old in its two state-operated psychiatric hospitals.

BACKGROUND

Federal Law and Regulations

The Medicaid¹ program authorized by title XIX of the Social Security Act (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. In order to be eligible for FFP, each state must submit an acceptable plan to the Centers for Medicare and Medicaid

¹In the State of California, Medicaid is referred to as the Medi-Cal program. In this report, we used the term "Medicaid" to refer to the Medi-Cal program.

Services (CMS). The CMS is responsible for monitoring the activities of the state agency in implementing the Medicaid program under the state plan.

Prior to the enactment of Medicaid in 1965, FFP was not available for payments made on behalf of individuals who were receiving care in IMDs. Until that time, such care was the sole responsibility of the states. When Medicaid was enacted, FFP was made available for the care of institutionalized mental patients who were 65 years and older. The Social Security Amendments of 1972 extended FFP for inpatient psychiatric care to individuals under the age of 21 and, in certain instances, under the age of 22. Consistent with the Act, federal regulations prohibit FFP for services to IMD residents under the age of 65, except for inpatient psychiatric services provided to individuals under the age of 21 and, in some cases, for individuals under the age of 22 [42 CFR 435.1008 and 441.13].

CMS Guidance

The CMS has consistently provided guidance to states that FFP is not permitted for services provided to IMD residents aged 21 through 64. In March 1994 and again in June 1996, CMS issued guidance to the states regarding the general IMD exclusion:

“...FFP is not available for any medical assistance under title XIX for services provided to any individual who is under age 65 and who is a patient in an IMD unless the payment is for inpatient psychiatric services for individuals under age 21...Under this broad exclusion, no Medicaid payment can be made for services provided either in or outside the facility for IMD patients in this age group.” [HCFA Publication 45-4, sec. 4390]

California Medicaid Program

The state designated the Department of Health Services (DHS) as the agency responsible for the administration of the Medicaid program in California. The DHS submitted claims for FFP to CMS.

The California Department of Developmental Services (DDS) was responsible for the administration of the two state-operated psychiatric hospitals, Napa State Hospital and Metropolitan State Hospital. The DDS was responsible for collecting payments from patients and other parties (e.g., insurance companies, Medicare, and Medicaid) for services provided in all state-operated psychiatric hospitals. It was also responsible for paying for medical and ancillary services provided by outside medical providers.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine if the state had adequate controls in place to preclude the improper claiming of FFP when 21 to 64 year old residents of state-operated IMDs received physician services, laboratory and clinic services, and hospital outpatient treatment. Our review covered Medicaid payments for the period July 1, 1997 through February 28, 2001.

We reviewed the state's Medicaid payments for medical and ancillary services as well as Medicaid payments for Medicare deductibles and co-insurance amounts for qualified beneficiaries covered under both Medicare and Medicaid. The source of the Medicaid data was a computerized file of paid claims maintained by the state. This data was subject to periodic CMS reviews and was relied upon to support the state's claims for federal matching funding under the Medicaid program. Thus, our audit did not include an independent review of the internal and automatic data processing controls for the state's automated system. Except for this limitation, our review was conducted in accordance with generally accepted government auditing standards.

To accomplish our objective, we:

- Reviewed Medicaid law and regulations and CMS guidelines provided to the states concerning the allowability of FFP claimed under the Medicaid program for 21 to 64 year old residents of psychiatric hospitals that are IMDs;
- Evaluated the state's controls to prevent it from claiming unallowable FFP under Medicaid for IMD residents aged 21 to 64;
- Obtained lists of IMD residents and identified 5,106 residents who were 21 to 64 years old and their period(s) of stay at the two state-operated IMDs;
- Developed a statistical sampling plan; and
- Reviewed Medicaid paid claims histories for 400 randomly selected residents to determine if medical and ancillary services were paid and unallowable FFP was claimed by the state when the patients were residing in the state-operated IMDs.

This audit is a continuation of our multi-state review of Medicaid payments for services to IMD residents. We previously reviewed California's controls over hospital inpatient claims for residents of state IMDs.

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Our fieldwork was performed at DHS and its Medicaid fiscal intermediary in Sacramento, California. We also made on-site visits to Napa State Hospital located in Napa, California and Metropolitan State Hospital located in Norwalk, California. Our audit work was conducted during the period October 2001 through September 2002.

RESULTS OF REVIEW

The state did not have computer edits to prevent it from claiming FFP for medical and ancillary services provided to residents aged 21 to 64 of state-operated IMDs. Nevertheless, we found that the state substantially complied with the federal rules prohibiting it from claiming FFP under the Medicaid program for these services.

Our review of paid claims histories for 400 randomly selected residents disclosed that the state paid for almost all of the care provided to the residents. We found only a small number of claims for FFP were submitted and processed under the Medicaid program for these services. We have no procedural recommendations for this review.

We contacted state officials and they verbally agreed with our findings and informed us no formal response will be issued.

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Sincerely



Lori A. Ahlstrand
Regional Inspector General
for Audit Services