DEPARTMENT OF HEALTH & HUMAN SERVICES OFFICE OF INSPECTOR GENERAL

**Office of Audit Services**
**Region I**
**John F. Kennedy Federal Building**
**Boston, MA 02203**
**(617) 565-2684**

FEB 9 2005

Report Number: A-01-04-00003

Mr. John A. Stephen
Commissioner
129 Pleasant Street
Concord, New Hampshire 03301

Dear Mr. Stephen:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' (OAS) report entitled "Application Controls at New Hampshire Medicaid State Agency – Identification of Suspect Duplicate Claims." A copy of this report will be forwarded to the action official noted below for her review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action 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.

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 issued to the department's grantees and contractors are made available 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.)

If you have any questions or comments about this report, please do not hesitate to call me at (617) 565-2684 or through e-mail at michael.armstrong@oig.hhs.gov. To facilitate identification, please refer to report number A-01-04-00003 in all correspondence.

Sincerely,

Michael J. Armstrong

Michael J. Armstrong
Regional Inspector General
For Audit Services

Enclosures– as stated

**Direct Reply to HHS Action Official**:

Regional Administrator
Centers for Medicare and Medicaid Services
U.S. Department of Health and Human Services
Room 2325
JFK Federal Building
Boston, Massachusetts 02203

**Department of Health and Human Services**

**OFFICE OF INSPECTOR GENERAL**

# APPLICATION CONTROLS AT THE NEW HAMPSHIRE MEDICAID STATE AGENCY – IDENTIFICATION OF SUSPECT DUPLICATE CLAIMS


**FEBRUARY 2005**
**A-01-04-00003**

# *Notices*

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

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR Part 5.)

## OAS FINDINGS AND OPINIONS

The designation of 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/OAS. Authorized officials of the HHS divisions will make final determination on these matters.

# EXECUTIVE SUMMARY

## BACKGROUND

Public Law 92-603 was enacted to provide Federal financial participation (FFP) for design, development, installation and operation of State mechanized claims processing and information retrieval systems approved by the Secretary. For Medicaid purposes, the mechanized claims processing and information retrieval system, which States are required to have, is the Medicaid Management Information System (MMIS). MMIS has enabled States to efficiently process claims, control program expenditures, monitor service utilization, and stay informed of program trends.

The State of New Hampshire contracts with Electronic Data Systems Corporation (EDS) to manage and maintain New Hampshire's MMIS. Specifically, EDS processes all New Hampshire medical claims, as well as, develops automated claims resolution and data entry functionality for MMIS. EDS also has a claims resolution staff that manually reviews any claim that is suspended by the MMIS.

Federal regulations at 42 CFR §447.45(f) requires that the State must conduct prepayment claims review to "…. verify that the claim does not duplicate or conflict with one reviewed previously or currently being reviewed." As such, New Hampshire's MMIS includes claims processing edits to identify (1) exact duplicate claims where all critical fields are identical, and (2) suspect duplicate claims where certain key fields are identical.

## OBJECTIVE

The objective of this review was to determine if New Hampshire's MMIS claims edit routine and subsequent resolution process for reviewing suspect duplicate claims are adequate. The period of our review was January 1, 2000 through June 30, 2002.

## RESULTS OF REVIEW

New Hampshire's MMIS claim edit process is effective in identifying suspect duplicate claims; however, the claims resolution procedures are less than effective in determining the disposition of a suspect duplicate claim - to either deny or pay. Specifically, we found that over 9,000 suspect duplicate claims were not properly investigated before payment was made. Limited staffing, the volume of suspended duplicate claims, and procedures not established or followed contributed to claims being forced through the payment system. In partnership with the New Hampshire Medicaid State Utilization Review (SURs) unit, we have determined that $548,740 ($274,370 Federal share) in suspect duplicate claims needs to be recovered.

## RECOMMENDATIONS

We recommend that:

- the New Hampshire Medicaid SURs unit continue recovery procedures to recoup the identified overpayments valued at approximately $548,740 ($274,370 Federal share);

- the New Hampshire Medicaid State Agency;

    - revise and update the instructions and criteria used by claims resolution staff to review suspect duplicate payments; and

    - provide training to claims resolution staff for reviewing suspect duplicate claims.

The New Hampshire Medicaid State Agency concurs with our findings and recommendations. Its formal response is summarized in the body of the report and is included in its entirety in Appendix II to this report. This response includes descriptions of corrective actions the have already been taken or that are planned.

# Table of Contents

# INTRODUCTION

## BACKGROUND

### The Medicaid Program

The Medicaid program, enacted in 1965 under Title XIX of the Social Security Act is a grant-in aid Medical Assistance Program financed through joint Federal and State funding to provide payment for medical services ranging from routine preventive medical care for children to institutional care for the elderly and disabled. Some of the specific medical services covered by the Medicaid program include hospital, physician, nursing facility, home health, laboratory, x-ray, rural health clinics, durable medical equipment and dental.

### Medicaid Management Information System

Public Law 92-603 was enacted to provide Federal Financial Participation (FFP) for design, development, installation and operation of State mechanized claims processing and information retrieval systems approved by the Secretary. For Medicaid purposes, the mechanized claims processing and information retrieval system, which States are required to have, is the MMIS. MMIS has enabled States to efficiently process claims, control program expenditures, monitor service utilization, and stay informed of program trends.

A Medicaid State Agency may obtain contractual services to perform work for the design, development, and installation, or enhancement of a mechanized claims processing and information retrieval system. The State of New Hampshire contracts with Electronic Data Systems Corporation (EDS) to manage and maintain New Hampshire's MMIS. Specifically, EDS processes all New Hampshire medical claims, as well as, develops automated claims resolution and data entry functionality for MMIS. EDS also has a claims resolution staff that manually reviews any claim that is suspended by the MMIS.

### Medicaid Prepayment Claims Review

Federal regulations at 42 CFR §447.45(f) states that the State must conduct prepayment claims review to "…. verify that the claim does not duplicate or conflict with one reviewed previously or currently being reviewed."

### New Hampshire State Utilization Review Unit

The 42 CFR §456.1(iii) mandates that each state must have in effect a continuous program of review of utilization of care and services. As a result of this mandate, each State created a Surveillance and Utilization Review (SURs) unit to perform this function. Specifically, the SURs unit is responsible for (1) assessing the quality of care, services and supplies received by recipients and for which a Title XIX program has reimbursed providers; (2) detecting, correcting

and preventing further occurrences of unnecessary or inappropriate medical care, services, or supplies rendered or provided to recipients by providers and for which a Title XIX program has reimbursed such providers; and (3) ensure that accurate and proper reimbursement has been made for the care, services or supplies.

## OBJECTIVE, SCOPE, AND METHODOLOGY

### Objective

The objective of this review was to determine if New Hampshire's MMIS claims edit routine and subsequent resolution process for reviewing suspect duplicate claims are adequate.

### Scope

We obtained all Medicaid claims processed by the New Hampshire Medicaid State Agency and all Medicaid claims identified by the MMIS edit routine as Error Code 503 – Suspect Duplicate Claim, valued at $2,721,265, that were forced for payment by claims resolution staff. The period of our review was January 1, 2000 through June 30, 2002.

### Methodology

To accomplish our objective, we:

- reviewed Federal and state laws and regulations and guidelines pertaining to the Medicaid program, the MMIS and Utilization Control procedures,
- obtained an understanding of the claims resolution procedures,
- obtained all Medicaid claims processed by the New Hampshire Medicaid State Agency,
- identified all Medicaid claims with Error Code 503 – Suspect Duplicate Claims, valued at $2,721,265,
- matched the file of claims with Error Code 503 to the Medicaid claims files to identify the original claim. The match was based on the same claim type, Medicaid ID number, dates of service and type of service,
- after identifying all Medicaid claims that matched claims with Error Code 503, we focused our review on claims processed from the Medicaid medical, dental, nursing home, and outpatient files,
- held discussions with representatives from the New Hampshire Medicaid State Agency, the New Hampshire Medicaid SURs unit and EDS,
- provided the New Hampshire Medicaid SURs unit with a database of Suspect Duplicate Claims for its review; and

- reviewed the New Hampshire Medicaid State Agency and EDS's review procedures for Suspect Duplicate Claims.

We performed our fieldwork at the New Hampshire Medicaid State Agency, the New Hampshire Medicaid SURs unit, and the Boston Regional office from February 2004 through September 2004. Our audit was conducted in accordance with generally accepted government auditing standards.

## FINDINGS AND RECOMMENDATIONS

In partnership with the New Hampshire Medicaid SURs unit, we determined that over 9,000 suspect duplicate claims valued at 548,740 ($274,370 Federal share) should not have been forced through the claims processing system for payment.

### Criteria – DUPLICATE CLAIM

Federal regulations at 42 CFR §447.45(f) states that the State must conduct prepayment claims review to "…. verify that the claim does not duplicate or conflict with one reviewed previously or currently being reviewed."

### Condition – MMIS EDIT OVERRIDEN BY CLAIMS RESOLUTION STAFF

The MMIS claim edit process is effective in identifying suspect duplicate claims, however, the claims resolution procedures are less than effective in determining the disposition of the suspect duplicate claim - to either deny or pay.

Within New Hampshire's MMIS when a claim duplicates another claim currently in the system or in the paid claims history, the claims processing edits will suspend a claim as either

- an exact duplicate claim (e.g. same claim type, billing provider, performing provider number, recipient, dates of service, diagnosis, procedure code, modifiers, and billed amount) or

- a suspect duplicate claim (e.g. same claim type, recipient, same or overlapping dates of service, and procedure code) .

In most instances, exact duplicates will be denied by the system. However, when a claim suspends as a suspect duplicate claim, the claims resolution staff utilizes the Operating Procedures Manual to determine if the suspended claim did not duplicate or conflict with a claim currently in the system or is in history. Upon making the determination that the claim is not a duplicate, the claims resolution staff would override the MMIS edit and force the claim(s) for payment.

We analyzed all claims suspended as suspect duplicate claims during the period January 1, 2000 through June 30, 2002. This analysis identified 9,029 suspected duplicate claims where key fields were only slightly different than claims that were in the system or in claims history.

These claims were differentiated only by one or two data elements such as the billed amount, billing provider number, or diagnosis code. As a result of these differences, the claims were forced through the system for payment.

We based our finding utilizing our an analysis of key fields between the original and suspended claims, Medicaid guidelines, expert advice from Medical professionals, and confirmations by providers.

We have included examples of claims forced through the system in Appendix I.

**Cause – CLAIMS RESOLUTION PROCEDURES**

We found that claims resolution staff did not always follow the procedures established by the New Hampshire Medicaid State Agency and EDS to determine if a claim is a duplicate. We believe this can be attributed to limited staff and the volume of suspended duplicate claims. As a result not every claim may have received a complete review.

**Effect – UNNECESSARILY PAID DUPLICATE CLAIMS**

In partnership with the New Hampshire Medicaid SURs unit, we found that suspect duplicate claims totaling $548,740 were in fact duplicate claims and should not have been forced through the claims processing system for payment.

| SUSPECT DUPLICATE CLAIM REVIEW<br>PERIOD COVERED JANUARY 1, 2000 THROUGH JUNE 30, 2002 | | | |
|---|---|---|---|
| **CLAIM TYPE** | **RECORD COUNT** | **OVERPAYMENT AMOUNT TOTAL** | **OVERPAYMENT AMOUNT FEDERAL SHARE** |
| Medical | 6,247 | $275,167.00 | $1375,83.50 |
| Dental | 14 | $3,887.00 | $1,943.50 |
| Nursing Home | 3 | $1,223.00 | $611.50 |
| Rural Health Clinic (Medical) | 728 | $71,458.00 | $35,729.00 |
| Outpatient Lab | 338 | $3,351.00 | $1,675.50 |
| Outpatient Clinic | 1,699 | $193,654.00 | $96,827.00 |
| **TOTAL** | **9,029** | **$548,740.00** | **$274,370.00** |

## RECOMMENDATIONS

We recommend that:

- the New Hampshire Medicaid SURs unit continue recovery procedures to recoup the identified overpayments valued at approximately $548,740 ($274,370 Federal share);

- the New Hampshire Medicaid State Agency

    - revise and update the criteria used by claims resolution staff to review suspect duplicate payments; and

    - provide training to claims resolution staff for reviewing suspect duplicate claims.

## NEW HAMPSHIRE MEDICAID STATE AGENCY RESPONSE

The New Hampshire Medicaid State Agency concurs with our findings and recommendations. Specifically, the New Hampshire Medicaid SURs unit is in the process of recovering the overpayments which have been identified. To date, almost $8,000 have been recouped and the remainder will be recouped as staffing resources are made available. With respect to the claims resolution process, the State Agency will review current procedures, evaluate system operations, and implement necessary changes. In addition, the State Agency will address further solutions in a new MMIS scheduled to be deployed in July 2006.

# APPENDIXES

**Appendix I**

## EXAMPLES OF CLAIMS FORCED THROUGH PROCESSING SYSTEM

1. Suspect duplicate based on different Diagnosis Code

| | Originally Submitted Claim | Suspect Duplicate Claim |
|---|---|---|
| Recipient | A | A |
| Beginning Date Of Service | 03/25/2000 | 03/25/2000 |
| Ending Date Of Service | 03/25/2000 | 03/25/2000 |
| Billing Provider Number | 99591003 | 99591003 |
| Bill Amount | 95.00 | 95.00 |
| Paid Amount | 93.00 | 93.00 |
| HCPCS Code | 97110 | 97110 |
| | | |
| Paid Date | 04/14/2000 | 04/06/2001 |
| Claim Disposition | | ***Forced*** |
| Overpayment | | ***$93.00*** |

2. Suspect duplicate based on different Billing Provider Number

| | Originally Submitted Claim | Suspect Duplicate Claim |
|---|---|---|
| Recipient | B | B |
| Beginning Date Of Service | 11/01/2001 | 11/01/2001 |
| Ending Date Of Service | 11/30/2001 | 11/30/2001 |
| | | |
| Performing Provider Number | 30831062 | 30831062 |
| Bill Amount | 3,217.20 | 3,217.20 |
| Paid Amount | 2,715.90 | 3,217.20 |
| HCPCS Code | X9780 | X9780 |
| Paid Date | 04/12/2002 | 05/31/2002 |
| Claim Disposition | | ***Forced*** |
| Overpayment | | ***2,715.90*** |

3. Suspect Duplicate based on different Billed Amount

| | Originally Submitted Claim | Suspect Duplicate Claim |
|---|---|---|
| Recipient | C | C |
| Beginning Date Of Service | 09/28/2000 | 09/27/2000 |
| Ending Date Of Service | 09/30/2000 | 09/30/2000 |
| Billing Provider Number | 30002362 | 30002362 |
| | | |
| Paid Amount | 337.11 | 449.48 |
| Paid Date | 11/24/2000 | 12/22/2000 |
| Claim Disposition | | ***Forced*** |
| Overpayment | | ***$337.11*** |

STATE OF NEW HAMPSHIRE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OPERATIONS SUPPORT UNIT
*BUREAU OF IMPROVEMENT AND INTEGRITY*

129 PLEASANT STREET, CONCORD, NH 03301-3857
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John A. Stephen
Commissioner

Mary P. Castelli
Senior Division Director

Steve Mosher
Administrator
Financial Review & Integrity

Linda S. Paquette
Administrator
Continuous Improvement & Integrity

January 26, 2005

Michael J. Armstrong
Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203

Report Number: A-01-04-00003

Dear Mr. Armstrong:

The Bureau of Improvement and Integrity is pleased to provide the enclosed audit response on behalf of the State of New Hampshire. This response is in reference to the U.S. Department of Health and Human Services, Office of Inspector General draft report entitled, "Application Controls at New Hampshire Medicaid State Agency-Identification of Suspect Duplicate Records."

The response includes an Auditee Corrective Action Plan that details the State's review of the audit findings and recommendations presented by the Office of Inspector General.

If you have any questions regarding the enclosed audit response, please feel free to contact Stephen Mosher directly at (603) 271-0967.

Sincerely,

Mary P. Castelli
Senior Division Director

cc: Commissioner Stephen
James Fredyma
Steve Norton

**STATE OF NEW HAMPSHIRE**
**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**OFFICE OF INSPECTOR GENERAL**
**REPORT: "APPLICATION CONTROLS AT NEW HAMPSHIRE MEDICAID STATE AGENCY-IDENTIFICATION OF SUPECT DUPLICATE RECORDS"**
**RERPOT NUMBER A-01-04-00003**

**RECOMMENDATION:**
"We recommend that the New Hampshire Medicaid SURs unit initiates recovery procedures to recoup the identified overpayments valued at approximately $549,000."

**AUDITEE CORRECTIVE ACTION PLAN:**

The Department concurs with this recommendation. In partnership with the Office of Inspector General, the SURs unit reviewed suspect duplicate claims that were paid from January 1, 2000 to June 30, 2002. Recovery efforts have been initiated to recover overpayments for 9,029 claims totaling $548,740. These recovery efforts will be conducted utilizing standard SURs recovery procedures in accordance with State and Federal law. Progress to date is as follows:

| | |
|---|---|
| Claims Suspected of Being Duplicate | $548,740 |
| Adjustments | ($ 2,316) |
| Total Duplicate Claims | $546,424 |
| | |
| Amounts Recovered To Date: | |
| Checks | $ 5,879.48 |
| Recoupments | $ 1,682.00 |
| | $7,561.48 |

Four claim types were identified by the Office of Inspector General: Nursing Facility, Dental, Medical, and Outpatient. Nursing Facility claims have been reviewed and recovery efforts are complete. Two additional claim recoupments are pending that will complete the recovery effort for Dental claims. The PNMI recoveries have been mailed to providers and recovery efforts are continuing. The remaining claims have been partially reviewed and mailings are pending subject to available staffing resources in the SURs unit.

**CONTACT PERSON:**

Sherry Bozoian, Bureau of Improvement and Integrity, SURs unit

**ANTICIPATED COMPLETION DATE:** 12/31/05

**RECOMMENDATIONS:**
"We recommend that the New Hampshire Medicaid State Agency revise and update the instructions and criteria used by claims resolution staff to review suspect duplicate payments."

"We recommend that the New Hampshire Medicaid State Agency provide training to claims resolution staff for reviewing suspect duplicate claims."

**AUDITEE CORRECTIVE ACTION PLAN:**

With respect to the process for identifying and acting on duplicate claims the Department will take the following actions.

Short-term improvements will be addressed by meeting with DHHS staff and the Medicaid Management Information System (MMIS) contractor to share the results of the audit. The department will review current duplicate claim procedures, evaluate MMIS system operations and implement changes in accordance with State and Federal regulations.

Longer-term solutions will be addressed with the new MMIS system. The Department is in the process of reprocurement of the Medicaid Management Information System that is scheduled to deploy in July 2006. Significant improvements are anticipated in the claims edits procedures.

**CONTACT PERSON:**

David Beckwith, Office of Medicaid Business and Policy

**ANTICIPATED COMPLETION DATE:** 6/30/07