DEPARTMENT OF HEALTH & HUMAN SERVICES Office of Inspector General

Washington, D.C. 20201

SEP 26 2002

TO: Neil Donovan
Director, Audit Liaison Staff
Centers for Medicare & Medicaid Services

FROM: Dennis J. Duquette
Deputy Inspector General
for Audit Services

SUBJECT: Audit of Medicaid Payments for 21 to 64 Year Old Residents of Private Psychiatric Hospitals that are Institutions for Mental Diseases in Florida (A-04-02-02009)

As part of the Office of Inspector General's self-initiated audit work, we are alerting you to the issuance within 5 business days of our final audit report entitled, "Audit of Medicaid Payments for 21 to 64 Year Old Residents of Private Psychiatric Hospitals that are Institutions for Mental Diseases in Florida." A copy of the report is attached. This report is one of a series of reports involving our multi-state review of federal reimbursement for medical care provided to residents of institutions for mental diseases (IMD). We suggest you share this report with components of the Centers for Medicare & Medicaid Services involved with program integrity, provider issues, and state Medicaid agency oversight, particularly the Center for Medicaid and State Operations.

The objective of this audit was to determine if the state of Florida had adequate controls to preclude claiming federal financial participation (FFP) under the Medicaid program when 21 to 64 year old residents of privately owned and operated IMDs received inpatient or outpatient acute care hospital services, physician services, laboratory, or clinic services. Our review covered Medicaid payments for the period July 1, 1997 through June 30, 2001.

Our audit indicated that the state of Florida appeared to have some controls to prevent improper FFP claims for medical services provided to IMD residents. The main control instituted by the state was the revocation of the Medicaid billing numbers of private IMDs.

The results of this audit were similar to the results of our previous reviews of inpatient and medical and ancillary claims for residents of state operated IMDs. We reviewed 94,678 claims totaling over $6.6 million in Medicaid payments, and found 247 claims that were not eligible for federal reimbursement, yet FFP was claimed. These claims represented $92,726 in FFP. We did not have any procedural recommendations, but we recommended the state reimburse the Federal Government for the FFP share of the unallowable claims.

In responding to our draft report, state agency officials did not believe there was an overpayment because the claims in question pertained to Supplemental Security Income (SSI) recipients. The state is allowed up to 4 months to process Medicaid eligibility terminations for these recipients.

In Florida, Medicaid pays for SSI recipients during the redetermination process. Contrary to the state's position, we believe that the Social Security Act and implementing federal regulations are clear in that while a 21 to 64 year old person is a resident of an IMD, his/her Medicaid costs are not eligible for matching federal payments.

Any questions or comments on any aspect of this memorandum are welcome. Please address them to George M. Reeb, Assistant Inspector General, Centers for Medicare and Medicaid Audits, at (410) 786-7104 or Charles J. Curtis, Regional Inspector General for Audit Services, Region IV, at (404) 562-7750.

Attachment

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

AUDIT OF MEDICAID PAYMENTS FOR 21 TO 64 YEAR OLD RESIDENTS OF PRIVATE PSYCHIATRIC HOSPITALS THAT ARE INSTITUTIONS FOR MENTAL DISEASES IN FLORIDA

JANET REHNQUIST
Inspector General

September 2002
A-04-02-02009

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

Region iV
61Forsyth Street, SW
Room 3T41
Atlanta, GA30303-8909

SEP 30 2002

Common Identification Number: A-04-02-02009

Mr. Robert Sharpe
Deputy Secretary for Medicaid
Agency for Health Care Administration
2727 Mahan Drive, Building 3, Room 2427
Tallahassee, Florida 32308

Dear Mr. Sharpe:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services' (OAS) final report entitled, "Audit of Medicaid Payments for 21 to 64 Year Old Residents of Private Psychiatric Hospitals that are Institutions for Mental Diseases in Florida." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official. 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 the Public Law 104-231, OIG/OAS reports are made available to members of the press and the 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). 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 Common Identification Number A-04-02-02009 in all correspondence relating to this report. If you have any questions, please contact me or have your staff contact Peter Barbera at (404) 562-7758.

Sincerely yours,

Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

Enclosures – as stated

Direct Reply To HHS Action Official:

Mr. Eugene A. Grasser
Associate Regional Administrator
Department of Health and Human Services, Region IV
Division of Medicaid and State Operations
61 Forsyth Street, SW, Suite 4T20
Atlanta, Georgia 30303-8909

SEP 30 2002

Common Identification Number: A-04-02-02009

Mr. Robert Sharpe
Deputy Secretary for Medicaid
Agency for Health Care Administration
2727 Mahan Drive, Building 3, Room 2427
Tallahassee, Florida 32308

Dear Mr. Sharpe:

This final report by the Office of Inspector General (OIG), Office of Audit Services, provides you with the results of our *Audit of Medicaid Payments for 21 to 64 Year Old Residents of Private Psychiatric Hospitals that are Institutions for Mental Diseases in Florida.* This audit is part of our ongoing review into the area of institutions for mental diseases (IMD). We previously issued two reports to you on our review of state operated IMDs involving inpatient claims for residents of state IMDs (A-04-01-02003, issued March 18, 2002) and physician, laboratory, clinic, and hospital outpatient claims (A-04-01-02008, issued July 18, 2002).

The objective of this audit was to determine if the state of Florida had adequate controls to preclude claiming federal financial participation (FFP) under the Medicaid program when 21 to 64 year old residents of privately owned and operated IMDs received inpatient or outpatient acute care hospital services, physician services, laboratory, or clinic services. Our review covered Medicaid payments for the period July 1, 1997 through June 30, 2001.

Our audit indicated that the state of Florida appeared to have some controls to prevent improper FFP claims for medical services provided to IMD residents. The main control instituted by the state was the revocation of the Medicaid billing numbers of private IMDs.

The results of this audit were similar to the results of our previous reviews of inpatient and medical and ancillary claims for residents of state operated IMDs. We reviewed 94,678 claims totaling over $6.6 million in Medicaid payments, and found 247 claims that were not eligible for federal reimbursement, yet FFP was claimed. These claims represented $92,726 in FFP. We do not have any procedural recommendations, but we recommended that the state reimburse the Federal Government for the FFP share of the unallowable claims.

In responding to our draft report, state agency officials did not believe there was an overpayment because the claims in question pertained to Supplemental Security Income (SSI) recipients. The state is allowed up to 4 months to process Medicaid eligibility terminations for these recipients. In Florida, Medicaid pays for SSI recipients during the redetermination process. The state's complete response is included in its entirety as an Appendix to this report. Contrary to the state's

position, we believe that the Social Security Act and implementing federal regulations are clear in that while a 21 to 64 year old person is a resident of an IMD, his/her Medicaid costs are not eligible for matching federal payments.

BACKGROUND

Title XIX of the Social Security Act authorizes federal grants to states for Medicaid programs that provide medical assistance to persons whose incomes are insufficient to meet the cost of medical services. Florida's Medicaid program is administered by the Agency for Health Care Administration (state agency). The Federal Government pays its share of medical assistance expenditures to the state agency according to a defined formula yielding the FFP rate. In Florida, this rate was between 55.65 and 56.62 percent during the period 1997 through 2001.

Federal criteria found in section 1905(a) of the Social Security Act and 42 CFR 441.13 and 435.1008 prohibit FFP for any services provided to IMD residents who are 21 to 64 years old. This exclusion from FFP was designed to assure that states, rather than the Federal Government, continued to have principal responsibility for funding medical services for IMD residents. The Department of Children and Families (DCF) is responsible for the administration of psychiatric hospitals that are IMDs in Florida.

Public Law 100-360 of 1988 defines an IMD as a hospital or other institution of more than 16 beds that is primarily engaged in providing diagnosis, treatment, or care of persons with mental diseases. If the institution is licensed as a psychiatric facility, the Centers for Medicare & Medicaid Services (CMS) considers the institution an IMD.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine if the state agency improperly claimed FFP when 21 to 64 year old residents of privately owned psychiatric hospitals received inpatient and outpatient acute care hospital services, physician services, laboratory, or clinic services between July 1, 1997 and June 30, 2001.

Our review also included Medicaid payments for Medicare deductibles for qualified beneficiaries covered by both Medicare and Medicaid (crossover payments).

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

At the time of our audit, we obtained a report from CMS that indicated there were 21 private psychiatric hospitals in Florida. We selected four of these hospitals to test for improper Medicaid FFP payments. These hospitals comprised 37 percent of the licensed beds for private IMDs between 1997 and 2001.

From the private IMDs, we obtained resident lists and identified individuals between 21 to 64 years old during our audit period. We requested Medicaid eligibility status and payment information for hospital inpatient and outpatient transfers and for physician, laboratory, and clinic services. After the state agency provided the residents' claim data, we compared the dates of services on the Medicaid payments to the dates of the patients' admissions and discharges from the IMD to determine if the payments should have been excluded from FFP. In determining the exception threshold, we only took exception to claims that represented at least $50 of FFP. We also interviewed state program officials and reviewed information provided by the state agency and the IMDs.

Our review of the state agency's and the IMDs' internal controls was limited to those considered necessary to achieve our objectives. Our review allowed us to establish a reasonable assurance regarding the accuracy of Medicaid eligibility and payment data. However, our audit was not directed toward assessing the completeness of the state agency's eligibility and payment files.

We conducted our audit in accordance with generally accepted government auditing standards. Our fieldwork was performed at the Agency for Health Care Administration and DCF offices in Tallahassee, Florida; our regional office in Atlanta, Georgia; and our field office in Miami, Florida from October 2001 to February 2002.

RESULTS OF REVIEW

Our audit indicated that the state of Florida appeared to have some controls to prevent improper FFP claims for inpatient and outpatient acute care hospital treatment and physician, laboratory, and clinic services provided to IMD residents of private psychiatric hospitals. The state revoked the Medicaid billing numbers of the private IMDs, thus reducing the likelihood of improper claims.

We reviewed 94,678 claims totaling over $6.6 million in Medicaid payments. These were claims applicable to individuals 21 to 64 years of age who at one time were IMD residents during our audit period. We found 247 claims that should have been excluded from FFP because the dates of service were during the period of IMD residency. The remaining claims had dates of service when the individuals were not IMD residents, and therefore were not questioned by our audit. These 247 claims represented $92,726 in FFP.

The $92,726 was comprised of the following types of claims:

- Inpatient claims totaling $1,442, representing acute care hospital services provided to IMD residents transferred and admitted into a hospital.

- Outpatient claims totaling $986, representing medical services provided to IMD residents transferred but not admitted into a hospital. The services could have been performed either in a clinic or in a hospital.

- Medicare crossover claims totaling $90,136, representing claims applicable to IMD residents who were covered by both Medicare and Medicaid. The Medicare carrier forwards the claims to the state Medicaid agency, since Medicaid is responsible for the deductible in these cases.

- Mental health, drug, and alcohol claims totaling $162, representing services provided to IMD residents when they were transferred to these types of facilities for outpatient services.

We did not consider the errors we found to be significant. Because our findings represent only 1.4 percent of the total dollar amount of claims in our population, we did not consider it necessary to fully develop the cause of these errors or to address specific recommendations to the state. We believe a lack of communication between the IMDs and the other healthcare providers, coupled with the majority of the errors being Medicare crossovers were contributing factors to the errors.

CONCLUSION AND RECOMMENDATIONS

Although the state agency appeared to have some controls in place to prevent improper FFP claims for inpatient and outpatient acute care hospital treatment and physician, laboratory, and clinic services provided to 21 to 64 year old IMD residents of private psychiatric hospitals, these controls did not prevent improper FFP claims in all instances. Therefore, we recommend that the Agency for Health Care Administration reimburse the Federal Government for the $92,726 in FFP that should not have been claimed during the period July 1, 1997 through June 30, 2001.

State Agency's Comments

State agency officials did not believe there was an overpayment because the claims in question pertained to SSI recipients. According to the state agency, the Social Security Administration (SSA) determines Medicaid eligibility for SSI recipients residing in Florida, and SSA should notify the state when a recipient is no longer eligible for SSI. At that time, the state determines if the individual is eligible under any other eligibility group prior to terminating the individual's Medicaid eligibility. The state is allowed up to 4 months to process Medicaid eligibility terminations for these recipients. In Florida, Medicaid pays for SSI recipients during this redetermination process.

OIG's Response

For the most part, the state agency was correct in the treatment of SSI recipients. However, as the federal criteria cited in the **Background** section of this report indicates, while 21 to 64 year old recipients remain residents of an IMD, they are not eligible for federal matching of Medicaid

payments. The recipients in our review were transferred from the IMDs to other care settings, such as outpatient acute care settings, other outpatient facilities, and physician offices. However, these residents were not discharged from the IMDs. Thus, they remained IMD residents and, therefore, FFP was prohibited.

Sincerely yours,

Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

AHCA
FLORIDA AGENCY FOR HEALTH CARE ADMINISTRATION

JEB BUSH, GOVERNOR

RHONDA M. MEDOWS, MD, FAAFP, SECRETARY

July 30, 2002

Mr. Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV
61 Forsyth Street, S.W., Room 3T41
Atlanta, Georgia 30303-8909

Dear Mr. Curtis:

This letter is in response to the Department of Health and Human Services, Office of Inspector General, Office of Audit Services report entitled "Audit of Medical Payments for 21 to 64 Year Old Residents of Private Psychiatric Hospitals that are Institutions for Mental Diseases in Florida."

As you know, Florida is a designated 1634 state; therefore, the Social Security Administration (SSA) determines Medicaid eligibility for SSI recipients residing in Florida. The SSA is responsible for notifying the Agency when a recipient is no longer eligible for SSI. Federal regulations then require the state to determine that the individual is not eligible under any other eligibility group prior to terminating Medicaid eligibility. Florida is allowed up to four months to process Medicaid eligibility terminations for these recipients.

Once again, these questionable claims appear to pertain to SSI recipients. In Florida, Medicaid pays for SSI recipients during the redetermination process. Based on the cited factors alone, we believe the Agency is not liable for any overpayment.

If you have questions, please contact Bob Maryanski at 850-487-2617.

Sincerely,

Mary Pate Moore for Bob Sharpe

Bob Sharpe
Deputy Secretary for Medicaid

BS/bm