Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF MEDICAID AND MEDICARE CREDIT BALANCES AT MERITER HOSPITAL

MADISON, WISCONSIN

JANET REHNQUIST
Inspector General

JULY 2002
A-05-01-00069

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

REGION V
OFFICE OF
INSPECTOR GENERAL

July 30, 2002

Common Identification No. A-05-01-00069

Ms. Linda Hoff
Vice President of Financial Services
Meriter Hospital, Inc.
309 W. Washington Avenue
Madison, WI 53703-2795

Dear Ms. Hoff:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General (OIG), Office of Audit Services' (OAS) report entitled "Review of Medicaid and Medicare Credit Balances at Meriter Hospital" as of September 30, 2001. 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 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). 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-05-01-00069 in all correspondence relating to this report.

Sincerely yours,

Paul Swanson

Paul Swanson
Regional Inspector General
for Audit Services

Enclosure – as stated

Direct Reply to HHS Action Official
Cheryl Harris, Associate Regional Administrator
Centers for Medicare & Medicaid Services
Division of Medicaid, Region V
233 North Michigan Avenue, 5th Floor
Chicago, Illinois 60601

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Ms. Linda Hoff
Vice President of Financial Services
Meriter Hospital, Inc.
309 W. Washington Avenue
Madison, WI 53703-2795

Dear Ms. Hoff:

This audit report provides you with the results of our audit of Medicaid and Medicare credit balances at Meriter Hospital. The objective of our audit was to determine if Medicaid and Medicare credit balances recorded on Meriter Hospital's accounting records represented overpayments that should have been reported to those programs. A credit balance occurs when reimbursement for services exceeds the charges billed according to the provider's accounting records.

Our review demonstrates that Meriter Hospital did not fully comply with the State 30 day and Federal 60 day reporting requirements. We determined that Medicaid and Medicare credit balances for inpatient and outpatient services reviewed represented overpayments that should have been reported to the Medicaid and Medicare programs. We found Medicaid overpayments totaling $205,679 and Medicare overpayment totaling $766 were not reported in a timely manner. At the onset of our fieldwork, only $1,015 of the Medicaid overpayments had been recovered by the State, the remaining $204,664 was still due. The Medicare contractor had recovered $631 of the Medicare overpayments, with the remaining $135 due.

We attributed the untimely identification and reporting of credit balances to provider personnel not being aware of the Medicaid and Medicare reporting requirement and provider policies and procedures not being in accordance with Federal and State credit balance reporting requirements. We are recommending that Meriter Hospital (i) ensure that Medicaid overpayments ($205,679, Federal share of $121,947) and Medicare overpayments ($766) are recovered by the respective program, (ii) revise policies and procedures, (iii) advise staff to identify and report overpayments in accordance with regulations, and (iv) submit adjustment request forms for Medicaid overpayments that had not been reported.

In a letter dated July 3, 2002, Meriter Hospital informed us that all of the reported Medicaid and Medicare credit balance overpayments had been recovered, with the exception of $223 that remained due the Medicaid program. Meriter Hospital has sent five adjustment requests to the Medicaid program in an attempt to resolve this remaining overpayment. Meriter Hospital concurred with our procedural recommendations and has initiated corrective actions.

INTRODUCTION

We reviewed Medicaid and Medicare credit balances at Meriter Hospital, Inc. to determine whether overpayments existed and whether they were properly reported to the Medicaid and Medicare programs. Our review covered credit balances that were on Meriter Hospital's accounting records as of September 30, 2001.

Background

Credit balances occur when reimbursement for a Medicaid or Medicare beneficiary exceeds the charges billed. When a provider receives a duplicate payment from the Medicaid or Medicare program, or receives payment from another payer after Medicaid or Medicare reimbursement has been received, an overpayment exists and should be refunded to the respective program. Medicaid regulations, Wisconsin Administrative Code HFS 106.03(7)(h) and 106.04(5)(a), require that when a provider receives a duplicate payment or a payment first from Medicaid and then from Medicare, another health care plan or another third party payer for the same service, the provider shall refund the overpayment to Medicaid within 30 days of its discovery. Medicare regulation 42 CFR Part 489.20(h) requires that a provider return an overpayment to Medicare within 60 days of the overpayment. Effective April 1992, all providers of health care services participating in the Medicare program were required to submit a Medicare Credit Balance Report on a quarterly basis.

OBJECTIVE, SCOPE AND METHODOLOGY

Our audit was performed in accordance with generally accepted government auditing standards. The objective of our audit was to determine whether the Medicaid and Medicare credit balances recorded on Meriter Hospital's accounting records for inpatient and outpatient services represented overpayments that should have been reported to the Medicaid and Medicare programs. As of September 30, 2001, Meriter Hospital identified Medicaid credit balances totaling $484,417 and reported Medicare credit balances totaling $5,663. Our audit included an in-depth review of all credit balances exceeding $1,000 for inpatient services and $100 for outpatient services. The aforementioned thresholds resulted in our reviewing credit balances totaling $479,299 for Medicaid (i.e., 99 percent of total) and $4,482 for Medicare (i.e., 79 percent of total).

We did not perform a detailed review of Meriter Hospital's internal controls. Our audit included extensive substantive testing, thereby reducing our need to perform a thorough internal control review. We limited our review of internal controls to determining whether the provider had adequate policies and procedures for reporting overpayments to the Medicaid and Medicare programs and whether we could rely on the contents of the credit balance listings provided for audit purposes.

To accomplish our objective, we:

- reconciled provider listings of all inpatient and outpatient credit balances to the Medicaid and Medicare credit balance reports as of September 30, 2001,

- reviewed Medicaid and Medicare remittance advices, patient accounts receivable detail, patient invoices, patient registration forms and adjustment forms to determine the reasons for the credit balances and whether Medicaid or Medicare overpayments had occurred, and

- identified overpayments from the inpatient and outpatient credit balances that should be reported to the Medicaid or Medicare program.

Other than the issues discussed in the Findings and Recommendations section of this report, we found no instances of noncompliance with applicable laws and regulations. With respect to those items not tested, nothing came to our attention to cause us to believe that the untested items were not in compliance with applicable laws and regulations.

Our fieldwork was performed at Meriter Hospital during November 2001 and in the Madison field office between December 2001 and March 2002.

FINDINGS AND RECOMMENDATIONS

Based on our review, we determined that Medicaid and Medicare credit balances for inpatient and outpatient services represented overpayments that should have been reported to the Medicaid and Medicare programs. We determined that the provider's policies and procedures were not in accordance with State and Federal regulations. As a result, Medicaid overpayments of $205,679 and Medicare overpayments of $766 were not reported to the programs in a timely manner.

We determined that provider policies and procedures did not specify the Medicaid 30 day and Medicare 60 day reporting requirements in accordance with regulations and that provider staff was not aware of these requirements. Between our initial request for information in February 2001 and our fieldwork in November 2001, we noted that the provider prepared and submitted quarterly Medicare credit balance reports based on policy, but did not process Medicaid overpayments in accordance with regulations. The Medicaid credit balance report for September 30, 2001 contained overpayment data for a 9-month period.

Our review determined that Medicaid and Medicare credit balance amounts reported by the provider varied from the overpayment amounts to be recovered by the respective program. We noted the primary reason for variances between the credit balance and overpayment amounts was due to the difference between billed charges and program payment.

Medicaid Credit Balances

According to Meriter's accounting records, there were 11 inpatient and 41 outpatient credit balances that exceeded our review threshold of $1,000 and $100 for inpatient and outpatient credit balances, respectively. For credit balances totaling $461,368 for inpatient services and $17,931 for outpatient services, we determined that 10 of the 11 inpatient credit balances (totaling $460,363) and 32 of the 41 outpatient credit balances (totaling $13,171) were not reported within 30 days, as specified in Medicaid regulations.

Our analysis of the credit balances revealed overpayments of $205,679 that should have been reported to the Medicaid program. Inpatient overpayments, amounting to $197,415, occurred 40 to 252 days prior to being reported. Similarly, outpatient overpayments, amounting to $8,264, occurred 47 to 244 days prior to being discovered and reported. The number of days from the date of overpayment to the date the provider prepared its Medicaid adjustment request form, along with the refund amounts, is summarized below.

Refund Amounts and Days from Overpayment to Date Reported

	Inpatient		Outpatient	
Days	**Claims**	**Refund Amount**	**Claims**	**Refund Amount**
31-60 Days	2	$ 107,903	9	$ 2,259
61-90 Days	2	7,169	16	2,781
91-120 Days	4	5,438	2	228
Over 120 Days	2	76,905	5	2,996
Total	10	$ 197,415	32	$ 8,264

We determined that the overpayments had occurred for a variety of reasons. Inpatient overpayments were due to Medicaid making a duplicate payment or paying even though another payer was responsible for the charges. Outpatient overpayments were primarily due to Medicaid paying even though another payer was responsible for the charges or the provider billed for the same service with different service codes. See Attachment for detail information on the causes of the overpayments.

At the time of our fieldwork, the provider had prepared and submitted Medicaid adjustment request forms for $195,655 of $197,415 inpatient overpayments. The State had not recovered the overpayments. The remaining inpatient overpayment of $1,760 was neither reported nor recovered by the State. For the outpatient overpayments of $8,264, the provider had correctly reported and the State recovered $1,015. The provider had submitted adjustment request forms for another $7,214, but the State had not recovered the overpayments. The unreported balance of outpatient overpayments is $35. Unrecovered inpatient and outpatient overpayments are $197,415 and $7,249, respectively.

Medicare Credit Balances

For the quarter ended September 30, 2001, Meriter Hospital's accounting records showed 1 inpatient credit balance of $2,711 and 4 outpatient credit balances of $1,771, which exceeded our threshold for review.

Our review disclosed that the overpayment for inpatient services was reported within 60 days after being made. Contrary to the Medicare regulations, 4 overpayments for outpatient services were reported beyond the 60-day requirement and were from 67 to 249 days after the overpayment occurred. The number of days was computed from the date the overpayment occurred to the date it was reviewed by the provider's staff for quarterly reporting.

We noted that all of the Medicare outpatient overpayments were a result of Medicare paying as the primary insurer, when Medicare should have been the secondary payer. The $1,771 of credit balances reported for outpatient services represented $766 of overpayments from the Medicare program. Of this amount, Medicare has already recovered $631. The balance due Medicare of $135 was listed on the credit balance quarterly report.

Recommendations

We recommend that Meriter Hospital:

(i) Ensure that Medicaid overpayments totaling $205,679 ($121,947 Federal Share) are recovered by the Medicaid program;

(ii) Ensure that Medicare overpayments totaling $766 are recovered by the Medicare contractor;

(iii) Revise policies and procedures to ensure that overpayments are identified and reported in accordance with Federal and State regulations;

(iv) Identify and report future Medicaid overpayments within 30 days of occurrence, or discovery, as specified in the regulation, and Medicare overpayments within 60 days of occurrence; and

(v) Submit adjustment request forms for the unreported Medicaid inpatient and outpatient overpayments.

Hospital Comments

Meriter Hospital generally concurred with the results of our review and stated that all but $233 of the Medicaid ($205, 679) and all of the Medicare ($766) credit balance overpayments had been reported and recovered as of March 2002 and November 2001, respectively. They continue to send the necessary adjustment requests to the Medicaid

program in order to initiate the appropriate recovery of the remaining $233. Further, Meriter Hospital agreed with the three procedural recommendations and has already initiated corrective actions.

OAS Response

We agree with the corrective actions taken to date, in regard to credit balances that were not properly reported to the Medicaid and Medicare programs within the 30 and 60-day reporting requirements. We also agree with the hospital's corrective actions in response to our three procedural recommendations.

To facilitate identification, please refer to Common Identification Number A-05-01-00069 in all correspondence relating to this report.

Sincerely yours

Paul Swanson
Regional Inspector General
for Audit Services

Attachment

MERITER HOSPITAL

CAUSES OF MEDICAID CREDIT BALANCES

Medicaid Inpatient

Cause	Number	Refund Amount
➢ Medicaid made a duplicate payment	3	$108,996
➢ Medicaid made a payment when another payer was responsible for the charges	7	88,419
TOTAL	10	$197,415

Medicaid Outpatient

Cause	Number	Refund Amount
➢ Medicaid made a payment when another payer was responsible for the charges	7	$4,708
➢ Provider billed the same service with different service codes	17	2,613
➢ Medicaid paid for non-covered dental services	3	449
➢ Medicaid made two payments on a single claim (as a partially paid claim)	3	239
➢ Medicaid made a duplicate payment	1	142
➢ Payment was received after charges were transferred to another account	1	113
TOTAL	32	$8,264

APPENDIX

July 3, 2002

Mr. Paul Swanson
Regional Inspector General for Audit Services
Department of Health and Human Services, Region V
Office of Audit Services
233 North Michigan Avenue
Chicago, Illinois 60601

Common Identification No. A-05-01-00069

Dear Mr. Swanson:

Meriter Hospital, Inc.
202 S. Park Street
Madison, WI 53715-1599
608 267-6000
www.meriter.com

Thank you for your letter and preliminary audit report dated June 7, 2002. We appreciate the opportunity to comment on the results of your audit. We agree substantially with the observations and findings noted in the report. Following are Meriter's responses to the five recommendations provided in the report.

1. **Recommendation: Ensure that Medicaid overpayments totaling $205,679 ($121,947 Federal Share) are recovered by the Medicaid program.**

   Meriter procedures include regular follow-up on credit balance accounts to ensure funds are appropriately returned to the proper payors, including Medicare and Medicaid. These procedures include:

   - submitting adjustment forms to the Medicaid program,
   - establishing regular follow-up dates in our billing system,
   - reviewing weekly aged trial balance accounts with credit balances, and
   - contacting Medicaid, when necessary, to determine the status of a recovery.

   However, Meriter is ultimately reliant on the Medicaid program to recover funds after an adjustment form has been submitted, which makes it difficult to ensure all funds are recovered by the program.

   For credit balances noted in the report, as of March 2002 $205,456 had been recovered by the Medicaid program. Only one outpatient claim remains unrecovered for $223. Since February 2001, we have sent Medicaid five adjustment requests to recover the $223.

2. **Recommendation: Ensure that Medicare overpayments totaling $766 are recovered by the Medicare contractor.**

   Meriter procedures include regular follow-up on credit balance accounts to ensure funds are appropriately returned to the proper payors, including Medicare and Medicaid. These procedures include:

   - submitting adjustment requests on-line to the Medicare program,
   - establishing regular follow-up dates in our billing system,
   - reviewing weekly aged trial balance accounts with credit balances, and
   - contacting Medicare, when necessary, to determine the status of a recovery.

   However, Meriter is ultimately reliant on the Medicare program to recover funds after an adjustment has been submitted, which makes it difficult to ensure all funds are recovered by the program.

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   For credit balances noted in the report, as of November 2001 the intermediary had recovered the full $766 noted in the report.

3. **Recommendation: Revise policies and procedures to ensure that overpayments are identified and reported in accordance with Federal and State regulations.**

   We have revised our policies and procedures to ensure overpayments are identified and reported in accordance with Federal and State regulations. In addition to revising policies and procedures, staff has been given additional training to ensure compliance with these regulations.

4. **Recommendation: Identify and report future Medicaid overpayments within 30 days of occurrence, or discovery, as specified in the regulation, and Medicare overpayments within 60 days of occurrence.**

   Procedures have been modified to ensure Medicare and Medicaid credit balances are now reviewed on a more consistent time schedule to allow us to properly report the credit balances within the 60 and 30-day requirements respectively.

5. **Recommendation: Submit adjustment form requests for the unreported Medicaid inpatient and outpatient overpayments.**

   An adjustment request form has been submitted for the two accounts noted in the audit. Medicaid has recovered these funds as of March 2002.

We believe the procedures in place will ensure all adjustment forms are sent timely in the future.

We appreciate the opportunity to improve our processes. With almost $130 million in annual Medicare and Medicaid charges processed each year, we believe that the findings represent a very small percentage error rate. However, we will continue to implement improvements as needed to ensure 100% compliance with Medicare and Medicaid guidelines.

Please feel free to contact me if you wish to discuss the recommendations or our responses to this report.

Sincerely,

Linda Hoff
Vice President of Financial Operations

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