



DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION I
JFK FEDERAL BUILDING
15 NEW SUDBURY STREET, ROOM 2425
BOSTON, MA 02203

March 26, 2012

Report Number: A-01-11-00010

JudyAnn Bigby, MD
Secretary
Executive Office of Health and Human Services
One Ashburton Place, 11th Floor
Boston, MA 02108

Dear Dr. Bigby:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Massachusetts Generally Complied With Federal and State Requirements for Medicaid Payments to Wingate Healthcare*. 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 Curtis Roy, Audit Manager, at (617) 565-9281 or through email at Curtis.Roy@oig.hhs.gov. Please refer to report number A-01-11-00010 in all correspondence.

Sincerely,

/Michael J. Armstrong/
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, Illinois 60601
ROchiORA@cms.hhs.gov

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MASSACHUSETTS GENERALLY
COMPLIED WITH FEDERAL
AND STATE REQUIREMENTS FOR
MEDICAID PAYMENTS TO
WINGATE HEALTHCARE**



Daniel R. Levinson
Inspector General

March 2012
A-01-11-00010

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:

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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.

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THIS REPORT IS AVAILABLE TO THE PUBLIC
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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

The Massachusetts Executive Office of Health and Human Services, Office of Medicaid (State agency), is responsible for administering MassHealth, the Massachusetts Medicaid program, in compliance with Federal and State statutes and administrative policies. The State agency reimburses nursing homes based on an established per diem rate for services provided to Medicaid beneficiaries. Pursuant to Medicaid requirements, the State agency must use certain additional resources that a beneficiary has, including Social Security payments, to reduce its Medicaid payments to nursing homes. The State agency determines the amount of the beneficiary's contribution during the financial eligibility process and enters this amount into its computer system. The beneficiary's contribution is remitted to the nursing home each month.

When the State agency reimburses the nursing home and does not reduce the Medicaid per diem payment to the nursing home by the amount of the beneficiary's contribution, the nursing home could receive overpayments. Pursuant to Medicaid requirements, the nursing home must return any overpayments to the State Medicaid program, which in turn is required to refund the Federal share to the Centers for Medicare & Medicaid Services (CMS) on its Form CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program.

Wingate Healthcare (Wingate) is a Massachusetts provider with 16 Medicare and Medicaid certified nursing homes. This report covers payments to 14 facilities located in Andover, Brighton, East Longmeadow, Hampden, Haverhill, Kingston, Lowell, Middleboro, Needham, Reading, South Hadley, Sudbury, West Springfield, and Wilbraham, Massachusetts. Payments by the remaining two facilities located in Springfield and Worcester, Massachusetts, will be reviewed by the State agency.

OBJECTIVE

Our objective was to determine whether the State agency made Medicaid payments to Wingate in accordance with Federal and State requirements from July 2006 through December 2010.

SUMMARY OF FINDING

The State agency generally made Medicaid payments in accordance with Federal and State requirements to Wingate. However, the State agency did not always adjust its Medicaid per diem payments to Wingate by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions. As a result, the State agency's Federal claim was overstated by a total of \$111,938 (\$62,400 Federal share). We attributed the incorrect Medicaid payments to clerical and billing errors.

RECOMMENDATIONS

We recommend that the State agency:

- collect overpayments totaling \$111,938 from Wingate and refund the Federal share of \$62,400 and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

WINGATE HEALTHCARE COMMENTS

In written comments on our draft report, Wingate agreed with our finding. Wingate's comments are included in their entirety as Appendix B.

STATE AGENCY COMMENTS

In written comments on our draft report, the State Agency agreed with our finding. The State Agency's comments are included in their entirety as Appendix C.

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INTRODUCTION

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. The Massachusetts Executive Office of Health and Human Services, Office of Medicaid (State agency), is responsible for administering MassHealth, the Massachusetts Medicaid program, in compliance with Federal and State statutes and administrative policies.

The State agency reimburses nursing homes based on an established per diem rate for services provided to Medicaid beneficiaries. Pursuant to Medicaid requirements, the State agency must use certain additional resources that a beneficiary has, including Social Security payments, to reduce its Medicaid payments to nursing homes. The State agency determines the amount of the beneficiary's contribution to the cost of care during the financial eligibility process and enters this amount into its computer system. The beneficiary's cost-of-care contribution is remitted to the nursing home each month.

When the State agency does not reduce the Medicaid per diem payment to the nursing home by the amount of the beneficiary's contribution, the nursing home could receive overpayments. Pursuant to Medicaid requirements, the nursing home must return the overpayments to the State Medicaid program, which in turn is required to refund the Federal share to CMS on its Form CMS-64, Quarterly Statement of Expenditures for the Medical Assistance Program.

Wingate Healthcare (Wingate) is a Massachusetts provider with 16 Medicare and Medicaid certified nursing homes. This report covers payments to 14 facilities located in Andover, Brighton, East Longmeadow, Hampden, Haverhill, Kingston, Lowell, Middleboro, Needham, Reading, South Hadley, Sudbury, West Springfield, and Wilbraham, Massachusetts. Payments by the remaining two facilities located in Springfield and Worcester, Massachusetts, will be reviewed by the State agency.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the State agency made Medicaid payments to Wingate in accordance with Federal and State requirements from July 2006 through December 2010.

Scope

For the period from July 2006 through December 2010, we reviewed Medicaid accounts that were at risk for having overpayments. We limited our review of internal controls to obtaining an

understanding of Wingate's procedures for reviewing accounts and reporting overpayments to the Medicaid program.

We performed fieldwork from April through November 2011 at Wingate in Needham and Middleborough, Massachusetts; the State agency in Boston, Massachusetts; and the CMS Regional Office in Boston, Massachusetts.

Methodology

To accomplish our objective, we:

- reviewed State and Federal regulations pertaining to overpayments,
- worked with Wingate officials to identify credit balances in the accounting records that were potentially overpayments,
- reviewed Medicaid remittance advices and patient accounts to determine whether overpayments had occurred,
- determined the cause of the overpayments, and
- coordinated our audit with officials from the State agency.

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 RECOMMENDATIONS

The State agency generally made Medicaid payments in accordance with Federal and State requirements to Wingate. However, the State agency did not always adjust its Medicaid per diem payments to Wingate by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions. As a result, the State agency's Federal claim was overstated by a total of \$111,938 (\$62,400 Federal share). We attributed the incorrect Medicaid payments to clerical and billing errors.

FEDERAL AND STATE MEDICAID REQUIREMENTS

Pursuant to 42 CFR § 435, the State agency must reduce its payment to an institution for services provided to a Medicaid-eligible individual by the amount that remains after adjusting the individual's total income for a personal needs allowance and other considerations that the regulation specifies. MassHealth regulations at 450.316 note that all resources available to a member, including but not limited to health and casualty insurance, must be coordinated and applied to the cost of medical services provided by MassHealth.

UNADJUSTED NURSING HOME PAYMENTS

The State made 194 overpayments to 13 out of the 14 Wingate nursing homes reviewed on behalf of an average of 4 Medicaid beneficiaries each month from July 2006 through December 2010 (see Appendix A). Specifically, the State agency did not adjust its Medicaid payments to Wingate by the amount of beneficiaries' cost-of-care contributions from resources, such as Social Security and pensions.

An Example of Medicaid Overpayment

Mrs. D was a patient at Wingate nursing home during August 2008. Based on her other resources, the State agency calculated Mrs. D's cost-of-care contribution to be \$800 a month. The State agency determined that the nursing home was entitled to a monthly payment of \$5,600. Because of Mrs. D's \$800 cost-of-care contribution, the State agency was responsible for only \$4,800 of the \$5,600 nursing home costs. However, the nursing home received a total of \$6,400 (\$5,600 from the State agency and \$800 from Mrs. D). This error occurred because the State agency's computer system did not adjust the payment amount by Mrs. D's cost-of-care contribution. The nursing home, therefore, received an overpayment of \$800 (\$6,400 minus \$5,600) for Mrs. D's care for the month of August.

AMOUNT OWED TO THE FEDERAL GOVERNMENT

As a result of the overpayments, the State agency's Federal claim for Medicaid payments made to Wingate for the period from July 2006 through December 2010 was overstated by a total of \$111,938 (\$62,400 Federal share).

CAUSE OF UNREPORTED OVERPAYMENTS

We attributed the 194 incorrectly reimbursed Medicaid payments to clerical and billing errors. State agency officials informed us that they have recently implemented a new computer system that will reduce future clerical and billing errors.

RECOMMENDATIONS

We recommend that the State agency:

- collect overpayments totaling \$111,938 from Wingate and refund the Federal share of \$62,400 and
- continue its efforts to ensure that Medicaid overpayments to nursing homes are identified, collected, and refunded.

WINGATE HEALTHCARE COMMENTS

In written comments on our draft report, Wingate agreed with our finding. Wingate's comments are included in their entirety as Appendix B.

STATE AGENCY COMMENTS

In written comments on our draft report, the State Agency agreed with our finding. The State Agency's comments are included in their entirety as Appendix C.

APPENDIXES

**APPENDIX A: MEDICAID OVERPAYMENTS TO
WINGATE HEALTHCARE BY STATE FISCAL YEAR**

Fiscal Year	Average Number of Beneficiaries with Overpayments per Month	Number of Overpayments	Total Overpayments
2007	2	22	\$ 10,081
2008	5	54	25,506
2009	4	46	38,599
2010	4	46	21,530
2011 ¹	4	26	16,222
TOTAL	4²	194	\$111,938

¹ State Fiscal Year period July 1, 2010, through December 31, 2010.

² Result of averaging round numbers.

APPENDIX B: WINGATE HEALTHCARE COMMENTS

December 27, 2011



1 Charles River Place
63 Kendrick Street
Needham, MA 02494

781.707.9500 TEL
781.707.9599 FAX

Michael J Armstrong
Regional inspector General for Audit Services
Department of Health & Human Services
Office of Inspector General
Office of Audit Services
Region 1
John F. Kennedy Federal Building
Boston, MA 02203

RE: Report Number A-01-11-00010

Dear Mr. Armstrong,

I have received and reviewed the draft report entitled Review of Medicaid Payments to Wingate Healthcare for The period From July 2006 Through December 2010. I am in agreement with the total overpayment of \$111,938.00 for our 14 facilities noted in the report. However, \$29,171.29 of the said overpayments has already been returned earlier this year (Please see attached).

During the audit there were 4 main classifications of issues which resulted in the overpayments:

- 1) Patient Paid Amounts not deducted by the State from coinsurance payments made to Wingate during Medicare A coinsurance stays
- 2) Adjustment billings not processed by West River Hospice for Hospice dates of service
- 3) Patient Paid Amount retro changes
- 4) MMQ changes

As discussed with your auditors there were State processing issues that caused these overpayments and additional State barriers we encountered in attempting to return them.

I appreciate your assistance in helping us to return the remaining \$82,766.71 overpayments to the State. I feel that with the State implementation of the new MMIS system in May of 2009 that many of the processing issues have been resolved.

If you have any further questions please feel free to contact me at 781-707-9005.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian E. Callahan', written over a white background.

Brian E. Callahan
Chief Financial Officer
Wingate Healthcare

APPENDIX C: STATE AGENCY COMMENTS



DEVAL L. PATRICK
Governor

TIMOTHY P. MURRAY
Lieutenant Governor

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Office of Medicaid
One Ashburton Place
Boston, MA 02108

MassHealth

JUDYANN BIGBY, M.D.
Secretary

JULIAN J. HARRIS, M.D.
Medicaid Director

March 1, 2012

Michael J. Armstrong
Regional Inspector General, Audit Services
HHS/OIG/OAS
Region I
JFK Federal Building
Boston, MA 02203

RE: Audit Report No: A-01-11-00010

Dear Mr. Armstrong:

Thank you for the opportunity to review and comment on Draft Audit Report No: A-01-11-00010, Review of Medicaid Payments at Wingate Healthcare Inc. for the period July 2006 through December 2010.

Our responses to the report's specific recommendations are as follows:

Recommendation:

- 1) Collect overpayments totaling \$111,938 from Wingate Healthcare Inc. and refund \$62,400, the Federal share of these payments, to CMS on the next quarterly CMS-64.

Response: We are in agreement with this finding and will follow the procedures described in state Medicaid regulations at 130 CMR 450.237 to collect the overpayments from the provider. Under 130 CMR 450.237, the provider has a due process right to contest the overpayment, including the right to request an adjudicatory hearing and judicial review.

OIG did not validate the return of \$29,179.29 as stated in Wingate HealthCare's response to the OIG. However, Wingate did provide hard copy evidence to the OIG of actions they took to refund this amount to the State. OIG turned over this evidence to the State at the exit conference. MassHealth will take the necessary actions to verify that this amount was returned and will initiate a recovery project for the remaining \$80,769.

MassHealth will need the OIGs working papers identifying the specific claims in order to undertake collection of the overpayments and to defend any challenge to collection by the provider. If the provider does not contest the overpayment collection or does not prevail in contesting this overpayment, MassHealth will work with EOHHS' Federal Revenue Unit to return the Federal share on the appropriate CMS-64.

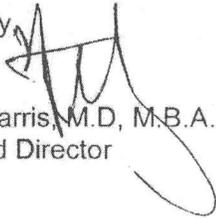
Recommendation:

- 1) Continue agency efforts to ensure that Medicaid overpayments to nursing homes are identified, collected and refunded.

Response: MassHealth is in agreement with this recommendation and will ensure that periodic reviews and audits are conducted to identify, collect and refund overpayments.

Thank you, again, for the opportunity to respond to the draft report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Julian Harris', with a large, sweeping flourish extending downwards and to the right.

Julian Harris, M.D, M.B.A., M.Sc.
Medicaid Director