Report Number: A-02-08-01022

Mr. Robert Shapiro  
Senior Vice President and Chief Financial Officer  
North Shore-Long Island Jewish Health System  
145 Community Drive  
Great Neck, New York 11021

Dear Mr. Shapiro:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled “Review of Medicare Credit Balances at North Shore University Hospital.” We will forward a copy of this report to the HHS action official noted below.


If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-02-08-01022 in all correspondence.

Sincerely,

James P. Edert  
Regional Inspector General for Audit Services

Enclosure

HHS Action Official:

Nanette Foster Reilly, Consortium Administrator  
Consortium for Financial Management and Fee for Service Operations  
Centers for Medicare & Medicaid Services  
601 East 12th Street, Room 235  
Kansas City, Missouri 64106
REVIEW OF MEDICARE CREDIT BALANCES AT NORTH SHORE UNIVERSITY HOSPITAL
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:

**Office of Audit Services**

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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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

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

Pursuant to Title XVIII of the Social Security Act (the Act), the Medicare program provides health insurance for persons aged 65 and over and those who are disabled or have permanent kidney disease. Section 1866(a)(1)(c) of the Act requires participating providers to furnish information to the Centers for Medicare & Medicaid Services (CMS), which administers the program, about payments made to them and to refund any payments incorrectly paid including credit balances.

A credit balance is an improper or excess payment made to a provider as a result of patient billing or claims processing errors. Credit balances generally occur when a provider is paid twice for the same service either by Medicare or by Medicare and another insurer; paid for services planned but not performed for covered services; overpaid because of errors made in calculating beneficiary deductible and/or coinsurance amounts; or a hospital that bills and is paid for outpatient services included in a beneficiary’s inpatient claim.

North Shore University Hospital (the hospital) is a multi-care, 731-bed hospital in Manhasset, New York. The hospital is part of the North Shore-Long Island Jewish Health system of 14 medical facilities. As of December 31, 2008, the hospital’s accounting records showed 99 credit balances totaling $405,177 in its accounting records.

OBJECTIVE

Our objective was to determine whether Medicare credit balances recorded in the hospital’s accounting records as of December 31, 2008, represented overpayments that the hospital should have refunded to the Medicare program.

SUMMARY OF RESULTS

The hospital refunded Medicare credit balances in accordance with Federal requirements. Our review disclosed that of the 99 credit balances, totaling $405,177, recorded in the hospital’s accounting records as of December 31, 2008, 36 were Medicare overpayments due to the Federal Government. All 36 Medicare overpayments, totaling $87,162, were refunded to Medicare in accordance with Federal requirements. We are not submitting recommendations to the hospital.
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INTRODUCTION

BACKGROUND

Pursuant to Title XVIII of the Social Security Act (the Act), the Medicare program provides health insurance for persons aged 65 and over and those who are disabled or have permanent kidney disease. Section 1866(a)(1)(c) of the Act requires participating providers to furnish information to the Centers for Medicare & Medicaid Services (CMS), which administers the program, about payments made to them and to refund any payments incorrectly paid including credit balances.

A credit balance is an improper or excess payment made to a provider as a result of patient billing or claims processing errors. Credit balances generally occur when a provider is paid twice for the same service either by Medicare or by Medicare and another insurer; paid for services planned but not performed for covered services; overpaid because of errors made in calculating beneficiary deductible and/or coinsurance amounts; or a hospital that bills and is paid for outpatient services included in a beneficiary’s inpatient claim.

CMS requires Medicare providers to submit a completed Medicare Credit Balance Report, Form CMS-838 within 30 days after the close of the calendar quarter, and include all Medicare credit balances shown in the providers’ accounting records as of the last day of the reporting quarter. Providers must pay all amounts owed Medicare at the time the credit balance report is submitted. As an exception, pursuant to 42 CFR 489.20(h), providers are required to refund to Medicare within 60 days any payment for the same services from Medicare and another payer that is primary to Medicare.

North Shore University Hospital (the hospital) is a multi-care, 731-bed hospital in Manhasset, New York. The hospital is part of the North Shore-Long Island Jewish Health system of 14 medical facilities. As of December 31, 2008, the hospital recorded 99 credit balances totaling $405,177 in its accounting records.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Medicare credit balances recorded in the hospital’s accounting records as of December 31, 2008, represented overpayments that the hospital should have refunded to the Medicare program.

Scope

We reviewed Medicare inpatient and outpatient credit balances recorded in the hospital’s accounting records as of December 31, 2008. We did not review the hospital’s overall internal control structure. Rather, we limited our review of internal controls to obtaining an understanding of the hospital’s accounting for and reimbursing Medicare for overpayments.
We performed our fieldwork from March through July 2009 at North Shore-Long Island Jewish Health System’s administrative offices in Westbury, New York.

**Methodology**

To accomplish our objectives, we:

- reviewed applicable laws, regulations, and guidelines;
- held discussions with hospital officials to obtain an understanding of the hospital’s system for accounting for Medicare credit balances;
- obtained information from the Medicare administrative contractor regarding credit balances reported by the hospital;
- reconciled the hospital’s Medicare credit balances for the period ending December 31, 2008, to those reported to the Medicare administrative contractor;
- reconciled Medicare’s accounts receivable totals to the hospital’s financial statements;
- identified all 99 Medicare credit balances recorded by the hospital in its accounting records;
- reviewed supporting documentation for each of the 99 credit balances, including patient admission forms, Medicare remittance advices, patient accounts receivable details, and other hospital records related to the credit balances to determine whether the amounts recorded on the hospital’s books represented actual overpayments due to the Federal Government; and
- determined whether each of the credit balance amounts that represented Medicare overpayments due the Federal Government were refunded in accordance with Federal requirements.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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1. The 99 credit balances comprised 53 inpatient balances, totaling $300,711, and 46 outpatient balances, totaling $104,466.
RESULTS OF REVIEW

The hospital refunded Medicare credit balances in accordance with Federal requirements. Our review disclosed that of the 99 credit balance amounts, totaling $405,177, recorded in the hospital’s accounting records as of December 31, 2008, 36 were Medicare overpayments due to the Federal Government. All 36 Medicare overpayments, totaling $87,162, were properly refunded to Medicare in accordance with Federal requirements. We are not submitting recommendations to the hospital.