

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF NURSING HOMES AND
DENIAL OF PAYMENT REMEDIES
STATE OF INDIANA**

**OCTOBER 1, 1999 THROUGH
SEPTEMBER 30, 2001**

**INDIANA FAMILY AND SOCIAL
SERVICES ADMINISTRATION**



**March 2004
A-05-03-00093**

Office of Inspector General

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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.





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

REGION V
OFFICE OF
INSPECTOR GENERAL

Report Number: A-05-03-00093 March 4, 2004

Melanie Bella, Assistant Secretary
Office of Medicaid Policy and Planning,
Indiana Family and Social Services Administration
Room W-382
402 West Washington Street
Indianapolis, Indiana 46204

Dear Ms. Bella:

This letter provides you with the positive results of our self-initiated audit of "Nursing Homes and Denial of Payment Remedies in the State of Indiana." This audit was initiated to address general public concerns with nursing homes. Our primary focus was with the measures for enforcing nursing home compliance with quality of care standards for Medicaid recipients.

The objectives of our audit were to ensure that the mandatory denial of payment remedy for substandard quality of care was applied to nursing homes that were not in substantial compliance with the prescribed Medicaid participation requirements and to evaluate whether State controls were adequate to prevent improper Medicaid payments to nursing homes under the denial of payment remedy. Our audit included denial of payment sanctions, which were in effect from October 1, 1999 to September 30, 2001. We conducted our review in accordance with generally accepted government auditing standards.

Title XIX, section 1919 of the Social Security Act established the requirements for nursing facilities, which are implemented by the State and Secretary of the Department of Health and Human Services. As part of these requirements, nursing facilities undergo an annual State survey and certification process to reveal whether a nursing facility is in substantial compliance with the Federal requirements. 42 CFR § 488 sets forth the regulations governing the survey, certification, and enforcement process. Denial of payment is an enforcement remedy for nursing facilities not in substantial compliance with one or more of the Medicaid participation requirements.

The State correctly applied the mandatory denial of payment remedy to all nursing homes providing substandard quality of care and meeting the criteria for mandatory denial of payment. Out of approximately 500 nursing homes surveyed by the State, 119 warranted the mandatory denial of payment remedy for new Medicaid admissions and 31 homes warranted the optional denial of payment sanctions.

We found that State controls were adequate to prevent improper Medicaid payments to sanctioned nursing homes, as required in Title XIX, section 1919 of the Social Security Act and 42 CFR § 488.

We reviewed data from the State's Medicaid Management Information System (MMIS) to determine whether there were admissions of new residents to nursing homes during the sanction periods. We also reviewed State records to determine whether overpayments were made to facilities for the new admissions.

The Indiana Family and Social Services Administration applies the denial of payment remedy through a "pay and chase" system of identifying and recovering Medicaid overpayments to nursing homes that are under sanction. When notified by the Centers for Medicare & Medicaid Services (CMS) of the imposition of denial of payment sanctions on a nursing facility, the State agency reviews claim payment data from the MMIS to determine if an overpayment has been made to that facility. Demand letters are sent to providers requesting repayment. For each case identified, the resulting action was one of the following:

- a repayment by the facility
- an adjustment to the Medicaid reimbursement claim
- an offset by the State of the facilities Medicaid reimbursement (if repayment was not made, or an appeal was not filed within 60 days)
- bankruptcy
- rescission of the denial of payment sanction by CMS

The majority of overpayments received while under denial of payment sanctions were detected and recovered during the same cost-reporting year. The Indiana Family and Social Services Administration identified \$183,660 in overpayments associated with services provided during our audit period.

Based on the above results, we determined that there were no reportable weaknesses in this area. If you have any comments or concerns, please contact Mike Barton, Audit Manager, at (614) 469-2543 or through e-mail at mike.barton@oig.hhs.gov. To facilitate identification, please refer to Report Number A-05-03-00093 in all correspondence related to this letter.

We appreciate the courtesies extended our audit staff during the course of the review.

Sincerely,



Paul Swanson
Regional Inspector General
for Audit Services