

**Memorandum**

Date FEB 5 1998

From June Gibbs Brown
Inspector General *June G Brown*

Subject Follow-up Review of Medicaid Reimbursement to Nursing Facilities - Ohio Department of Human Services (A-05-97-00028)

To Nancy-Ann Min DeParle
Administrator
Health Care Financing Administration

This memorandum is to alert you to the issuance of our final report on February 9, 1998. A copy is attached.

During a prior audit entitled "Review of Medicaid Claims with Overlapping Dates of Service - Ohio Department of Human Services" (A-05-94-00001) issued August 11, 1994, we identified conditions that resulted in Medicaid overpayments to hospitals and long term care (LTC) facilities in Ohio. Based on a statistical sample, we estimated that the Ohio Department of Human Services (ODHS) overpaid providers \$29,282,535 (Federal share \$17,578,131) during the period January 1989 through December 1992. We recommended that ODHS identify and recover the actual amount of overpayments made to the providers.

In response to our prior audit, ODHS contracted with Deloitte & Touche Consulting Group to conduct a review of the overpayment conditions identified in our prior report and to initiate a retroactive recovery process. Deloitte & Touche has completed a review that includes the following conditions related to overpayments to LTC providers.

- The ODHS paid LTC providers the full daily per diem rate rather than the 50 percent rate that is applicable when hospital leave days are used by beneficiaries.
- The ODHS paid the normal Medicaid per diem rate to LTC providers for dates of service beneficiaries were covered by Medicare.
- The ODHS made two payments to LTC facilities for the same service; once as an inpatient crossover claim and once as an outpatient crossover claim. The crossover claims refer to Medicaid payments to providers for Medicare deductibles and/or coinsurance.

The objective of our follow-up review was to determine the reasonableness of the methodology used by Deloitte & Touche to identify Medicaid overpayments made to LTC providers during the period January 1, 1989 through May 31, 1996 (a longer period than was covered by our prior audit).

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We determined the methodology used by Deloitte & Touche to identify Medicaid overpayments to LTC providers was reasonable. We recommend that ODHS recover Medicaid overpayments identified by Deloitte & Touche totaling \$34,030,476 (Federal share \$20,537,319) and return the Federal share by crediting the HCFA 64 report. The HCFA 64 Report is a statement of Medicaid expenditures submitted to HCFA by States on a quarterly basis.

In a written response to our draft report, ODHS officials concurred with our findings and recommendations. The written response is included as an Appendix to our report.

For further information, contact:

Mr. Paul Swanson
Regional Inspector General
for Audit Services, Region V
(312) 353-2618

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FOLLOW-UP REVIEW ON MEDICAID
REIMBURSEMENT TO NURSING
FACILITIES**

**OHIO DEPARTMENT OF HUMAN
SERVICES
COLUMBUS, OHIO**



**JUNE GIBBS BROWN
Inspector General**

**FEBRUARY 1998
A-05-97-00028**



DEPARTMENT OF HEALTH AND HUMAN SERVICES

REGION V
105 W. ADAMS ST.
CHICAGO, ILLINOIS 60603-6201

OFFICE OF
INSPECTOR GENERAL

Common Identification Number: A-05-97-00028

Mr. Arnold R. Tompkins, Director
Ohio Department of Human Services
30 East Broad Street, 32nd Floor
Columbus, Ohio 43266-0423

Dear Mr. Tompkins:

This final report provides the results of our follow-up review on a recommendation made in our prior audit report (CIN: A-05-94-00001). The prior report identified conditions that resulted in Medicaid overpayments to hospitals and long term care (LTC) facilities. Based on a statistical sample, we estimated that total Medicaid overpayments were about \$29.3 million during the period January 1989 through December 1992. We recommended that the Ohio Department of Human Services (ODHS) identify and recover the actual amount of overpayments made to the providers.

The objective of the follow-up review was to determine if ODHS had complied with our recommendation.

INTRODUCTION

BACKGROUND

In response to our recommendation, ODHS engaged the Deloitte & Touche Consulting Group to conduct a review of the overpayment conditions identified in our report and to initiate a retroactive recovery process. Deloitte & Touche has completed their review of Medicaid overpayments to LTC providers and has identified \$34,030,476 (Federal share \$20,537,319) in overpayments to these providers during the period January 1, 1989 through May 31, 1996 (a longer period than was covered by our prior audit).

SCOPE OF AUDIT

Our audit was performed in accordance with generally accepted government auditing standards. The objective was to determine the reasonableness of the methodology used by an ODHS contractor to identify Medicaid overpayments made to LTC providers during the period January 1, 1989 through May 31, 1996.

The audit included a review of the steps used by Deloitte & Touche to identify the Medicaid overpayments to LTC providers. It did not cover overpayments to hospitals because Deloitte and Touche had not finished its analysis at the time of our field work. Due to the limited

objective of our review, we did not evaluate accounting and administrative controls within ODHS.

Our audit field work was performed at ODHS offices in Columbus, Ohio during May 1997.

RESULTS OF AUDIT

We determined that the methodology used by Deloitte & Touche to identify Medicaid overpayments to LTC providers was reasonable. Deloitte & Touche staff identified Medicaid overpayments resulting from the following conditions.

- The ODHS paid LTC providers the full Medicaid per diem rate rather than the 50 percent rate applicable when beneficiaries use hospital leave days.
- The ODHS paid the full Medicaid per diem rate to LTC providers for dates of service beneficiaries were covered by Medicare.
- The ODHS made duplicate payments to LTC facilities for the same service; once as an inpatient crossover claim and once as an outpatient crossover claim. The crossover claims involve Medicaid payments to providers for Medicare deductibles and/or coinsurance.

Deloitte & Touche identified full Medicaid per diem payments to LTC facilities for dates of service beneficiaries used hospital leave days by matching LTC claims with inpatient hospital claims and inpatient hospital crossover claims. The inpatient claims were used to identify days when LTC beneficiaries were temporarily in hospitals. The claims were matched based on the Medicaid recipient identification number and dates of service. The unallowable amount computed was 50 percent of the LTC per diem payment for days the beneficiaries were in hospitals. Medicaid overpayments totaled \$17,513,833 (Federal share \$10,559,894).

Medicaid payments to LTC providers for days beneficiaries were covered by Medicare were identified by comparing LTC claims with LTC inpatient and outpatient crossover claims. The crossover claims for Medicare deductibles and/or coinsurance paid by Medicaid were the basis for determining days covered by Medicare. The payments for the different claim types were matched based on the Medicaid recipient identification number, Medicaid provider number, and dates of service. The unallowable amount was the Medicaid payment to the LTC provider for the days beneficiaries were covered by Medicare. Deloitte & Touche identified Medicaid overpayments totaling \$16,003,742 (Federal share \$9,666,829).

Medicaid crossover payments for inpatient and outpatient claims for the same service were identified by comparing LTC inpatient crossover claims with LTC outpatient crossover claims. The claims were matched based on the Medicaid recipient identification number, Medicaid provider number and dates of service. The unallowable amount was the payment for the outpatient claim. Medicaid overpayments totaling \$512,901 (Federal share \$310,596) were identified.

RECOMMENDATIONS

We recommend that ODHS recover Medicaid overpayments identified by Deloitte & Touche totaling \$34,030,476 (Federal share \$20,537,319) and return the Federal share by crediting the HCFA 64 report.

ODHS COMMENTS

In a written response to our draft report, ODHS officials concurred with our findings and recommendations. The written response is included as an Appendix to this report.

Final determination as to actions taken on all matters reported will be made by the U. S. Department of Health and Human Services (HHS) action official named below. 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 (Public Law 90-23), Office of Inspector General, Office of Audit Services reports issued to the Department's grantees and contractors are made available, if requested, 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.)

To facilitate identification, please refer to Common Identification Number A-05-97-00028 in all correspondence relating to this report.

Sincerely yours,



Paul Swanson
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:

Walter Kummer, Associate Regional Administrator
Health Care Financing Administration, Region V
Division of Medicaid and State Operations
105 West Adams Street, 15th Floor
Chicago, Illinois 60603

George V. Voinovich
Governor



Arnold R. Tompkins
Director

Ohio Department of Human Services

30 East Broad Street, Columbus, Ohio 43266-0423

December 12, 1997

Paul Swanson
Regional Inspector General
for Audit Services
Department of Health and Human Services
Region V
105 W. Adams St.
Chicago, Illinois 60603-6201

Re: Common Identification Number A-05-97-00028

Dear Mr. Swanson:

Thank you for your inquiry regarding the above referenced audit. My staff have been reviewing the audit and working with the Deloitte & Touche Consulting Group and others to develop a plan for initiating recovery of the Medicaid overpayments. In the course of this review, we have met with the long term care trade associations to brief them on your findings as well as those of Deloitte and Touche. In addition, we have been examining some of the complexities involved in recovering funds from adjudicated cost reporting periods. We believe this will be extremely problematic and will very likely result in litigation by the nursing home industry. Nevertheless, we intend to proceed. At least equally as important, we have devoted considerable time and resources to re-engineering our reporting and administrative procedures to reduce the potential for this problem continuing at this level.

Very shortly, my staff will be presenting me with a plan for initiating the process of recovering these funds. I anticipate approving that plan very soon. Subsequent to that decision, we anticipate meeting again with the relevant long term care trade associations to explain to them what is about to occur.

Please be assured that we are very cognizant of the need to proceed with implementation of your recommendations. If you have any further questions regarding this matter, please do not hesitate to contact me. You may also contact Harry Saxe, Chief, Bureau of Long Term Care Administration at 614-466-9243. He is coordinating this process for me.

Sincerely,

Arnold R. Tompkins
Director

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