



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

OCT 14 2004

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

Report Number A-07-04-03056

Dr. Deborah K. Fleming
Director of Wyoming Department of Health
117 Hathaway Building
Cheyenne, Wyoming 82002

Dear Dr. Fleming:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' (OAS) report entitled "Review of Wyoming's Accounts Receivable System for Medicaid Provider Overpayments" for the period October 1, 2002 through September 30, 2003. A copy of this report will be forwarded to the action official noted below for his/her review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the 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 (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General 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.)

To facilitate identification, please refer to report number A-07-04-03056 in all correspondence. Any questions regarding this report are welcome. Please contact Greg Tambke, Audit Manager, of our Jefferson City Office at (573) 893-8338, extension 30.

Sincerely yours,

James P. Aasmundstad
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:

Mr. Alex Trujillo
Regional Administrator, Region VIII
Centers for Medicare & Medicaid Services
1600 Broadway, Suite 700
Denver, CO 80202

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF WYOMING'S
ACCOUNTS RECEIVABLE SYSTEM
FOR MEDICAID PROVIDER
OVERPAYMENTS**



**OCTOBER 2004
A-07-04-03056**

Office of Inspector General

<http://oig.hhs.gov>

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OAS FINDINGS AND OPINIONS

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 awarding agency will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

This report is part of a nationwide audit focusing on States' accounts receivable systems for Medicaid provider overpayments that were reportable during the period October 1, 2002 through September 30, 2003. During the state fiscal year 2003, Wyoming received over \$609 million for various Federal programs. The Medicaid program was the largest Federal program administered by the State with expenditures exceeding \$213 million for the period. Wyoming's Department of Health (State agency) is responsible for administering the State's Medicaid program.

Provisions of the Social Security Act (the Act) provide the Centers for Medicare & Medicaid Services (CMS) the authority to approve States' plans for administering the Medicaid program. That legislation also provides CMS authority to disallow the Federal share for any Medicaid provider overpayments. States are required to return the Federal share of overpayments within 60-days of the date of discovery. It must credit the Federal share of those overpayments on the CMS 64 report for the quarter in which the 60-day period ends.

OBJECTIVE

Our objective was to determine whether the State agency reported Medicaid provider overpayments according to Federal regulations.

FINDINGS

The State agency did not report all Medicaid provider overpayments in accordance with Federal regulations. Its policies and procedures were not sufficient to ensure the timely reporting of all overpayments. As a result, the State agency delayed returning the Federal share of identified overpayments totaling \$211,667. Of that amount, the State agency had not yet reported or returned \$97,938 to the Federal government as of February 12, 2004.

RECOMMENDATIONS

The State Agency should:

- ensure that the Federal share of overpayments totaling \$97,938 is returned to the Federal government as soon as possible;
- strengthen policies and procedures to ensure all overpayments are reported in accordance with Federal regulations. Specifically, it should:
 - report all overpayments within the required reporting period;
 - coordinate efforts among program units responsible for handling provider overpayments.

OTHER MATTER

By not reporting overpayments in a timely manner, the State agency effectively denied CMS the use of funds that would have otherwise been available for the Medicaid program. The Cash Management Improvement Act of 1990 provides a means to calculate the value of opportunity costs such as this. Applying that methodology, CMS could have realized potential interest income totaling \$1,222.

AUDITEE RESPONSE

The State agency has generally concurred with our findings and recommendations and initiated actions to address those issues. We commend the State agency for identifying appropriate corrective actions and incorporating improvements into its Medicaid overpayments recovery program. The State agency's response is included in its entirety as Appendix A.

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INTRODUCTION

BACKGROUND

State Responsibility for Medicaid Provider Overpayments

The Medicaid program, established by Title XIX of the Act, provides grants to states for medical and health-related services to eligible low-income persons. This program is a jointly funded cooperative venture between the Federal and State governments.

CMS administers the Medicaid program at the Federal level and is responsible for ensuring that State Medicaid programs meet all Federal requirements. States are required to submit to CMS a comprehensive written plan that describes the nature and scope of its program. If the State Plan meets specific Federal requirements, then CMS matches the State's Medicaid spending through Federal Financial Participation. This amount is determined by a formula based on the State's per capita income.

Each State establishes or designates an agency to manage the Medicaid program. Wyoming's Department of Health is responsible for administering the State's Medicaid program. During the State's fiscal year 2003, Wyoming received over \$609 million for various Federal programs. The Medicaid program was the largest Federal program administered by the State with expenditures exceeding \$213 million for the period.

Criteria for Medicaid Provider Overpayments

The principal authority cited by CMS in disallowing the Federal share for provider overpayments is section 1903(d)(2) of the Act. The Consolidated Omnibus Budget Reconciliation Act of 1985 amended this section and states that CMS will adjust reimbursement to a State for any overpayment. Furthermore, States are required to return the Federal share of overpayments within 60-days of the date of discovery, whether or not the recovery was made.

This legislation is codified in 42 CFR 433 subpart F, "Refunding of Federal Share of Medicaid Overpayments to Providers". The regulation requires States to credit the Federal share of overpayments on the CMS 64 report for the quarter in which the 60-day period following discovery ends.

OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

Our objective was to determine whether the State agency reported Medicaid provider overpayments according to Federal regulations.

SCOPE

We examined Medicaid provider overpayments subject to the requirements of 42 CFR 433 subpart F for the period October 1, 2002 through September 30, 2003. We also reviewed overpayments not reported on the CMS 64 report as of the beginning of the audit period. We reviewed 244 provider overpayments totaling \$1,105,268.

We did not review the overall internal control structure of State agency operations or its financial management. However, we gained an understanding of controls with respect to provider overpayments.

METHODOLOGY

We reviewed applicable Federal criteria, including section 1903 of the Act and applicable sections of the State Medicaid Manual. We also reviewed applicable sections of State regulations.

During fieldwork, we interviewed State agency officials responsible for identifying and monitoring collections of overpayments, as well as staff responsible for reporting the Federal share of overpayments. We reviewed documentation to determine the date of discovery, status of the overpayment, and whether any adjustments or write-offs occurred during the audit period. In addition, we compared the CMS 64 reports submitted by the State agency to supporting documentation. Furthermore, we utilized the Medicaid Statistical Information System (MSIS) to verify the collection of some overpayments.

We also reviewed the Negative Balance Detail Report prepared by Affiliated Computer Services, Inc. (ACS). Specifically, ACS is a contractor utilized by the State agency to provide fiscal agent services and services for the operations and enhancement of the Wyoming Medicaid Management Information System.

For the identified overpayments, we calculated the number of days between the actual and required reporting dates. We analyzed this information to determine whether overpayments were reported accurately and in compliance with time requirements. For those overpayments reported late, we calculated potential lost interest using the Cash Management Improvement Act (CMIA) Rate¹ applied to the Federal portion of late overpayments.

We performed site work at the State agency in Cheyenne, Wyoming during February through April 2004.

We performed the audit in accordance with generally accepted government auditing standards.

¹ 1.14 percent annualized interest rate per the CMIA of 1990. The CMIA of 1990 was passed to improve the transfer of Federal funds between the Federal government and the States, Territories, and the District of Columbia and provides a means to assess an interest liability to the Federal government and/or the States to compensate for the lost value of funds.

FINDINGS AND RECOMMENDATIONS

The State agency did not report all Medicaid provider overpayments in accordance with Federal regulations. Its policies and procedures were not sufficient to ensure the timely reporting of all overpayments. As a result, the State agency delayed returning the Federal share of identified overpayments totaling \$211,667. Of that amount, the State agency had not yet reported or returned \$97,938 to the Federal government as of February 12, 2004.

The State agency has generally concurred with our findings and recommendations and initiated actions to address those issues.

OVERPAYMENTS NOT REPORTED

Criteria-The State Agency Must Return the Federal Share Within 60 Days of Discovery.

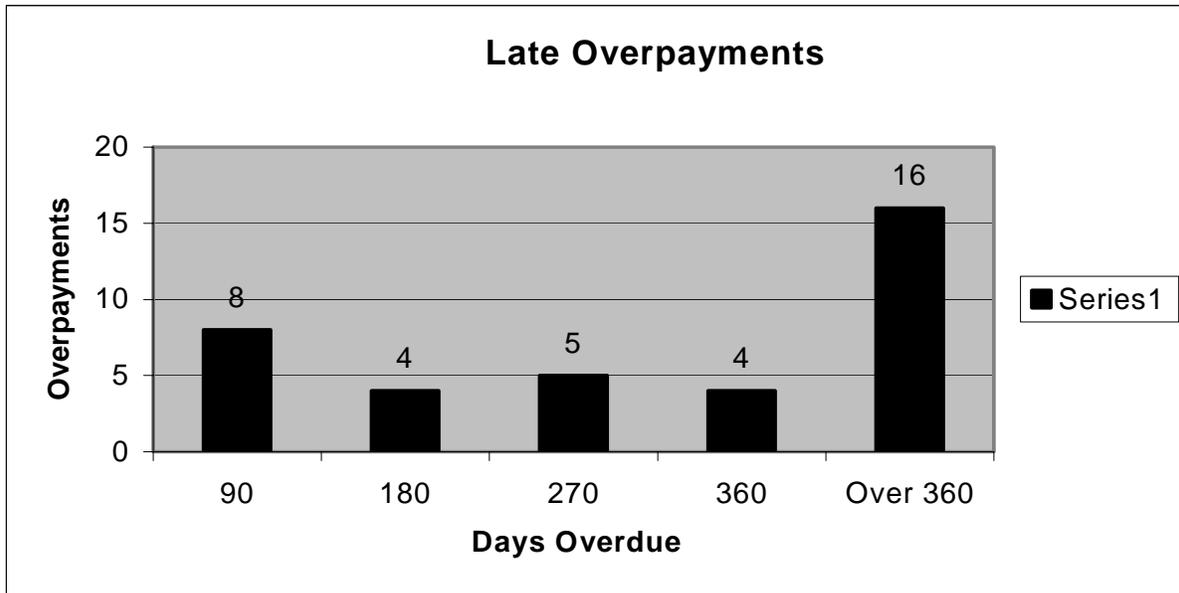
According to 42 CFR 433 subpart F, a Medicaid agency has 60 days from the date of discovery to recover a provider overpayment before the Federal share must be refunded to CMS. Discovery is notification to the provider that an overpayment exists and is due to the State.

The State agency must refund the Federal share of overpayments at the end of the 60-day period, whether or not the State has recovered the overpayment from the provider. The State agency must credit the Federal share on the CMS 64 report for the quarter in which the 60-day period following discovery ends.

Condition-The State Agency Reported Overpayments Late.

The State agency did not report 37 overpayments on the proper quarterly CMS 64 report as required. Specifically, the State agency did not report 36 overpayments; and reported 1 late.

The following chart provides a breakdown of the past due overpayments.



Cause-Policies and Procedures Were Insufficient.

The State agency’s policies and procedures were not sufficient to ensure reporting of all overpayments on the CMS 64 report. Specifically, it did not follow Federal regulations or its own established procedures in recording overpayments. The State agency generally reports overpayments when collected rather than within the required reporting period.

Furthermore, the State agency did not have adequate policies and procedures in place to ensure coordination among program units responsible for handling provider overpayments.

Effect-The State Agency Did Not Return the Federal Share When Due.

The State agency delayed reporting 37 overpayments. Of those, 36 overpayments totaling \$211,667 were not reported to the Federal government when due and remained unreported as of February 12, 2004. As a result, the State agency owes the Federal government \$97,938 for those 36 unreported claims.

RECOMMENDATIONS

The State Agency should:

- ensure that the Federal share of overpayments totaling \$97,938 is returned to the Federal government as soon as possible;
- strengthen policies and procedures to ensure all overpayments are reported in accordance with Federal regulations. Specifically, it should:
 - report all overpayments within the required reporting period;
 - coordinate efforts among program units responsible for handling provider overpayments.

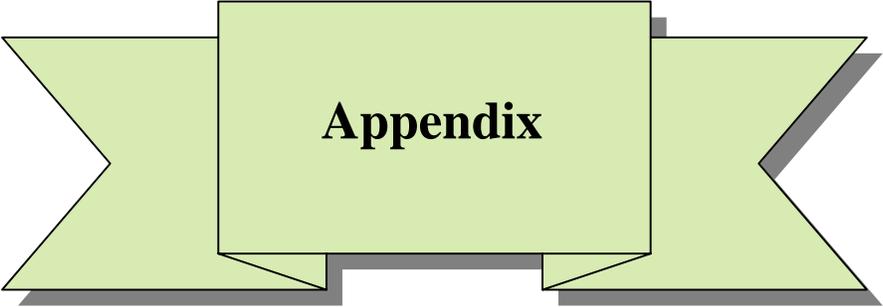
OTHER MATTER

Opportunity Cost

By not reporting overpayments in a timely manner, the State agency effectively denied CMS the use of funds that would have otherwise been available for the Medicaid program. The Cash Management Improvement Act of 1990 provides a means to calculate the value of opportunity costs such as this. Applying that methodology, CMS could have realized potential interest income totaling \$1,222.

AUDITEE RESPONSE

The State agency has generally concurred with our findings and recommendations and initiated actions to address those issues. We commend the State agency for identifying appropriate corrective actions and incorporating improvements into its Medicaid overpayments recovery program. The State agency's response is included in its entirety as Appendix A.



Appendix



Wyoming Department of Health

Dave Freudenthal, Governor

Deborah K. Fleming, Ph.D., Director

October 1, 2004

IO-2004-406

Mr. James P. Aasmundstad
Regional Inspector General for Audit Services
Office of Inspector General Region VII
601 East 12th Street, Room 284A
Kansas City, Missouri 64106

RE: Report No. A-07-04-03056

Dear Mr. Aasmundstad:

This letter constitutes the response of the Wyoming Department of Health, Office of Medicaid, to the above-referenced draft audit report entitled "Review of Wyoming's Accounts Receivable System for Medicaid Provider Overpayments" for the period October 1, 2002, through September 30, 2003.

Response to Findings and Recommendations – Overpayments Not Reported (page 3):

"Condition – The State Agency Reported Overpayments Late. The State agency did not report 37 overpayments on the proper quarterly CMS 64 report as required. Specifically, the State agency did not report 36 overpayments; and reported 1 late."

The Agency concurs with this finding.

"Cause – Policies and Procedures Were Insufficient. The State agency's policies and procedures were not sufficient to ensure reporting of all overpayments on the CMS 64 report. Specifically, it did not follow Federal regulations or its own established procedures in recording overpayments. The State agency generally reports overpayments when collected rather than within the required reporting period. Furthermore, the State agency did not have adequate policies and procedures in place to ensure coordination among program units responsible for handling provider overpayments."

The Agency concurs with this finding.

"Effect – The State Agency Did Not Return the Federal Share When Due. The State agency delayed reporting 37 overpayments totaling \$211,667. Of those, 36 were not reported to the Federal government when due and remained unreported as of February 12, 2004. As a result, the State agency owes the Federal government \$97,938 for those 36 unreported claims."

The Agency concurs with this finding, with one exception. One apparent overpayment of \$29,509.80 to a nursing facility was actually a credit balance that resulted from a retroactive adjustment to the nursing home's per diem rate. We believe there was no unreported or uncollected overpayment, although this was not verified until after the audit.

Office of Medicaid

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Response to Findings and Recommendations – Recommendations (page 4):

“The State agency should... ensure that the Federal share of overpayments totaling \$97,938 is returned to the federal government as soon as possible;”

The Agency concurs with this finding and the federal share will be returned to the federal government on the CMS-64 for the quarter ending September 30, 2004.

“The State agency should... strengthen policies and procedures to ensure all overpayments are reported in accordance with Federal regulations. Specifically, it should:

“Report all overpayments within the required reporting period;

“Coordinate efforts among program units responsible for handling provider overpayments.”

The Agency concurs with this finding and is taking specific steps to avoid future discrepancies. Specifically, the Office of Medicaid is developing an accounts receivable system that will maintain a record of all overpayments, all rate adjustments resulting in an amount due from a provider, and all collections received. The system will coordinate the MMIS records with the state accounting system and will provide an audit trail for the CMS-64, including a monthly aging report that will alert the State to unresolved recovery issues. All department Divisions will participate in the accounts receivable process and will be responsible for reporting all recovery or adjustment actions to the Office of Medicaid before recovery action is taken.

We appreciate the opportunity to review this report.

Sincerely,



Iris Oleske
State Medicaid Agent

IO/sg