Office Of Inspector General
Office Of Audit Services

DEPARTMENT OF HEALTH & HUMAN SERVICES

Region II
Jacob K. Javits Federal Building
26 Federal Plaza
New York, NY 10278

September 5, 1996

Our Reference: Common Identification No. A-02-96-01010

Mr. Wallace Watson
Director
Quality Assurance and Audit
New York State Department
of Social Services
40 North Pearl Street
Albany, New York 12243

Dear Mr. Watson:

Enclosed for your information and use are two copies of a final HHS/OIG Office of Audit Services report titled "OPERATION RESTORE TRUST REFERRAL TO THE INTERNAL AUDITORS OF THE NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES FOR OUTPATIENT CLINIC SERVICES CLAIMED BY SEVEN UNITED CEREBRAL PALSY PROVIDERS FOR RESIDENTS OF NURSING HOMES". Our period of review was March 1993 to February 1995.

If you have any questions or comments on the enclosed report, please contact Mr. Timothy Horgan, Audit Manager, at (212) 264-2875.

Sincerely yours,

John Tournour
Regional Inspector General
for Audit Services

2 Enclosures

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

OPERATION RESTORE TRUST REFERRAL TO THE INTERNAL AUDITORS OF THE NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES FOR OUTPATIENT CLINIC SERVICES CLAIMED BY SEVEN UNITED CEREBRAL PALSY PROVIDERS FOR RESIDENTS OF NURSING HOMES

FOR THE PERIOD
MARCH 1993 TO FEBRUARY 1995

JUNE GIBBS BROWN
Inspector General

SEPTEMBER 1996
A-02-96-01010

Office Of Inspector General
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Mr. Wallace Watson
Director
Quality Assurance and Audit
New York State Department
of Social Services
40 North Pearl Street
Albany, New York 12243

Dear Mr. Watson:

This report provides you with the results of our limited scope review to determine whether outpatient clinic claims submitted by seven United Cerebral Palsy (UCP) providers for beneficiaries of nursing homes were duplicative to what the nursing homes should have been providing and those for which the nursing homes had received reimbursement via their all inclusive Medicaid per diem rates. We performed our review as part of the New York Operation Restore Trust (ORT) Management Plan, Project Number 15, entitled Nursing Home Match and Targeting Project.

Our computer analysis and limited scope audit work has identified inappropriate claims to Medicaid by seven UCP providers for physical therapy (PT), occupational therapy (OT), and speech therapy (ST) services rendered to nursing home residents. We believe these billings are inappropriate because the nursing homes were already reimbursed for these type services as part of their all inclusive Medicaid per diem rates. Accordingly, there was no need for the UCPs to be rendering these therapy services and separately billing them to the Medicaid program. In addition, we believe the claims made by the UCPs using clinic specialty code 304, which is defined as medical rehabilitation (MR), warrant further review by New York State (NYS) officials. The potential exists that certain services billed as MR may be duplicative of services that should be rendered by the nursing homes as part of their per diem rate or are not eligible for Medicaid reimbursement.

Our computer applications indicate a potential inappropriate payment of $865,020 to the seven UCPs for PT, OT, and ST services during the period March 1993 to February 1995. It is very likely that additional claims were submitted by the UCPs both before and after this period. Our applications also identified $599,395 in MR services that warrant further review.

The decision to refer this information to the internal auditors of the Department of Social Services (DSS) was made at a meeting held on March 11, 1996 with various key State officials. These officials believed that our findings warranted additional follow-up work by the State to fully identify and recover the inappropriate payments and to establish edits to preclude reimbursement of these types of claims by Medicaid in the future.

As one of our ORT partners, we recommend that your office utilize the results of our limited scope audit work and take all necessary action, including supplemental audit work, to: (1) ensure that DSS officials immediately notify the UCP providers to discontinue billing Medicaid for therapy services rendered to nursing home residents; (2) ensure that DSS officials develop Medicaid Management Information System (MMIS) edits to deny any such claims in the future; (3) recover the inappropriate payments to the UCPs identified by our review as well as additional inappropriate payments made for periods both before and after our audit period; and (4) obtain supplemental information from the UCPs to determine the nature of services included within the MR clinic specialty code 304 and work with program officials to determine whether additional financial recoveries are warranted.

The Office of Audit Services will make available the information we have accumulated and will provide technical assistance, as requested. We request that the State keep us informed of all actions taken as a result of this referral and advise us of the amount of the recoupment made.

INTRODUCTION

BACKGROUND

As part of New York's ORT Management Plan, Project Number 15, entitled Nursing Home Match and Targeting Project, we performed a computer match of New York's nursing home files to all providers' Medicaid paid claims, including the outpatient clinic file, during an approximate 2-year period ended February 1995. The purpose of our match was to provide us with information that we could analyze to identify and target specific providers with billing patterns that warranted further review for potential improper claims to the Medicaid program. Overall, our clinic match identified 511 clinic providers who made 220,638 claims to Medicaid totaling $15,437,648 ($7,662,649 Federal share) for beneficiaries who resided in nursing homes.

Our computer match identified seven UCP providers who had at least $5,000 in Medicaid reimbursement for services to beneficiaries who resided in nursing homes. The seven UCP providers and their Medicaid identification numbers are identified in Appendix I. These seven UCP providers accounted for $1,526,651 of the $15,437,648 (or about 10 percent) identified by our match. A review of claims' information showed the seven UCPs used the PT, OT, ST, and MR clinic specialty codes (300, 301, 302, and 304) to bill for $1,464,415 of the $1,526,651 identified (or 96 percent). The remaining $62,236 consisted primarily of claims for dental, podiatry, and psychiatric services.

As part of our project, we researched which services were included in the nursing homes' per diem rates. In this regard, the New York State Commissioner of Health's reimbursement regulation 10 NYCRR 86-2.10 governs Medicaid rate reimbursement to skilled nursing facilities. Section (C)(1) of these regulations states, "Allowable costs for the direct component of the rate shall include costs reported in the following functional cost centers on the facility's annual cost report... .

(i) nursing administration;

(ii) activities;

(iii) social services;

(iv) transportation;

(v) physical therapy;

(vi) occupational therapy;

(vii) speech and hearing therapy-(speech therapy portion only)

(viii) pharmacy;

(ix) central service supply; and

(x) residential health care facility."

In addition, we were advised by the Director of the Bureau of MMIS for the NYS Department of Health (DOH) that the above criteria mandates the inclusion of rehabilitation costs (PT, OT, and ST) within the inclusive Medicaid rate structure for nursing home residents. Additional fee-for-service reimbursement either on a clinic rate or fee schedule basis is not appropriate.

In analyzing the intersecting claims data from our clinic provider match, we observed several UCP providers were billing Medicaid for various therapy services to beneficiaries who resided in nursing homes. Because the nursing home per diem rate covers these types of therapy services, we decided to perform additional work on these providers.

SCOPE OF REVIEW

The primary objective of our limited scope review was to determine whether the outpatient clinic claims submitted by the UCP providers for beneficiaries who resided in nursing homes met Medicaid reimbursement guidelines. As part of this objective, we focused on whether the beneficiaries were residents of nursing homes and whether the clinic specialty codes claimed were the actual services provided. Specifically, we tried to determine whether the services provided by the UCPs were duplicative to what the nursing homes should be providing and those for which the nursing homes had received reimbursement via their all inclusive Medicaid per diem rate.

In order to accomplish our objectives, we decided to perform limited survey work at three of the seven UCPs identified by our match. The three were UCP of Rochester (UCPR) (CIN A-02-96-01009), UCP Association of the Capital District (UCPACD) (CIN A-02-96-01010), and the UCP Association of NYS Staten Island (UCPSI) (CIN A-02-96-01011). These three providers claimed Medicaid reimbursement of $985,488 from the total $1,526,651 identified by our match for the seven UCP providers during our review period. For reporting purposes, we have consolidated the results of these reviews in this report.

We first identified the nursing homes with which the three UCP providers had intersecting claims. After all the intersecting nursing homes were identified, we judgementally selected a number of nursing homes and nursing home clients for review. At each nursing home, we interviewed officials to determine if the sample clients were residents of the nursing home during the review period. We also reviewed each client's medical record, and if possible, determined the services that the UCP was providing to each client on the service dates selected. In total, we visited 10 nursing homes and reviewed the case files for 38 clients.

Following our review at the nursing homes, we visited each of the UCP sites. At each UCP we: (1) held discussions with clinic officials to obtain information on the services offered at their programs; (2) reviewed and made copies of medical records for the sample clients; (3) identified the services provided to the 38 clients for the service dates that could not be determined from the nursing home records; and, (4) reviewed the correspondence file for documentation related to our audit issue if applicable.

Overall, we judgementally selected 716 claims made by the three UCP providers for review. Of this total, we reviewed 118 services at UCPR, 257 services at UCPACD, and 341 services at UCPSI. For the 716 claims, the UCPs received Medicaid reimbursement totaling $58,675 ($29,335 Federal share).

Subsequent to our review of the three UCPs, we held a meeting with various officials from the NYS DSS and DOH. The purpose of this meeting was to discuss the results of our review, to obtain their opinion as to whether overpayments existed, and to seek their advice as to the best way to report our findings to them.

Our limited scope audit was conducted in accordance with generally accepted government auditing standards. It included such tests and other auditing procedures that we considered necessary in the circumstances. We did not conduct a review of the UCPs' internal controls nor did we place reliance on their internal controls.

Our field work was performed at the three identified UCPs and at 10 nursing homes where our 38 sample clients resided. Our field work began in October 1995 and ended in February 1996.

RESULTS OF REVIEW

Our limited scope review at the three selected UCPs determined the following:

1. All of the 38 sample recipients were residents of nursing homes during the period they were receiving services at the UCPs.

2. PT, OT, ST, and certain MR services were included in the nursing homes' Medicaid per diem rates and should not have been separately billed to Medicaid by the UCPs.

3. Additional review needs to be performed of the claims that were billed by the UCPs using clinic specialty code 304, which is MR.

In total, our computer match, which covered the period March 1993 to February 1995, identified $1,526,651 of services to nursing home residents billed to Medicaid by the seven UCPs. Of this total, $219,010 related to PT services, $318,925 related to OT services, $327,085 related to ST services, and $599,395 related to MR services. Appendix II contains a breakdown of these totals by clinic specialty code for the seven UCP organizations. It is likely the UCPs billed similar type services for nursing home residents both before and after our audit period.

Based on our review, we believe the claims submitted by the UCPs to Medicaid for the three identified therapy services (PT, OT, and ST) are inappropriate because the nursing homes are reimbursed for these type services as part of their all inclusive Medicaid nursing home rate. The UCPs should not have been submitting separate claims for these services.

During our limited scope work at the three UCPs, we also reviewed claims submitted under clinic specialty code 304, which is MR. We found that podiatry services, nursing services, and weekend leisure activities such as swimming, bowling and field trips were being billed using this clinic specialty code. We discussed these types of services with State officials and they felt that many of them should not be separately reimbursed to the UCPs. However, these officials also indicated they would need to review the exact nature of the services provided to make a final determination on the propriety of these types of claims.

In summary, we believe our nursing home match and targeting project was successful in identifying inappropriate claims to the Medicaid program for many of the services rendered by seven UCPs to nursing home residents. In our opinion, and in the opinion of certain State officials, the therapy services were duplicative to what the nursing homes should have been providing and for which they were already reimbursed via their all inclusive Medicaid per diem rates. The rendering of the services and the separate claiming for these services by the UCPs were inappropriate. After consultation with State officials, we are referring this matter to the internal auditors of DSS for further development and action.

RECOMMENDATIONS

We recommend that your office utilize the results of our limited scope audit work and take all necessary action, including supplemental audit work, to:

1) Ensure that DSS officials immediately notify the UCP providers to discontinue billing Medicaid for therapy services rendered to nursing home residents.

2) Ensure that DSS officials develop MMIS edits to deny any such billings in the future.

3) Recover the inappropriate payments to the UCPs identified by our review as well as additional inappropriate payments made before and after our audit period and return the Federal share of these overpayments to the Federal government.

4) Obtain supplemental information from the UCPs to determine the nature of services included within the MR clinic specialty code and work with program officials to determine whether additional financial recoveries are warranted.

STATE AGENCY COMMENTS

The State's response dated July 5, 1996 is included in its entirety in Appendix III to this report. Generally, State officials concurred with the findings and recommendations contained within our report. In response to our first recommendation, DSS staff have met with representatives from various industry organizations such as the Day Treatment Provider Association, Nursing Facility Provider Association, Office of Mental Retardation and Developmental Disabilities, as well as the Department of Health to discuss the findings raised in our report. With respect to recommendation number two, DSS officials plan to activate a MMIS edit that will determine whether claims submitted for OMRDD day treatment services are appropriate, and if feasible, to initiate an edit for these types of claims.

As for recommendations three and four, DSS officials indicated that their Quality Assurance and Audit staff have selected several UCP providers for review including those mentioned in our report. They plan to examine claims made by these providers during the period January 1993 through December 1995 and to recover any duplicative payments made. The DSS indicated that future audits may be done in this area as well.

In a July 10, 1996 meeting, which was subsequent to their July 5, 1996 response, DSS officials stated they were just getting started with their reviews of UCP clinics based on our referral report. Officials from DSS stated they plan on performing their reviews in three phases. The first phase involves a review of the seven UCP clinics identified in our report; the second phase will include 30 additional UCP clinics identified by a State match; and, phase three will involve claims from OMRDD certified clinic facilities. State officials indicated they planned to recover any identified overpayments.

OIG RESPONSE

We are pleased to note that the State generally concurs with the findings and recommendations contained within our report and that they have begun reviews of the seven UCP providers identified in our report.

Final determination as to actions taken on all matters reported will be made by the HHS 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 the Inspector General, Office of Audit Services reports issued to the Department's grantees and contractors are 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 the referenced common identification number in all correspondence relating to this report.

Sincerely yours,

John Tournour
Regional Inspector General
for Audit Services

Direct Reply to HHS Action Official:

Mr. Arthur J. O'Leary
Associate Regional Administrator
Division of Medicaid, HCFA, Region II
U.S. Department of Health and Human Services
26 Federal Plaza, Room 38-130
New York, New York 10278

APPENDIX I

SCHEDULE OT THE SEVEN UCP PROVIDERS IDENTIFIED BY OUR MATCH AND THEIR MEDICAID IDENTIFICATION NUMBERS:

UCP PROVIDER	MMIS #
• UCP of New York City	00245001
• UCP Treatment and Rehabilitation Center	00277207
• UCP of Rochester	00355344
• Orange County Cerebral Palsy Association	00457649
• UCP Association of the Capital District	00473583
• UCP Association of Western New York	00474924
• UCP Association of NYS Staten Island	00947324

SCHEDULE OF SERVICES CLAIMED BY CLINIC SPECIALTY CODE FOR THE SEVEN UCP'S REVIEWED

UCP	Physical Therapy (300)	Occupational Therapy (301)	Speech Therapy (302)	Medical Rehab (304)	All Other *	Total
Albany	$139,600	$143,284	$14,291	$284,067	$5,794	$587,036
Rochester	43,465	83,082	206,942	81	0	333,570
Staten Island	8,516	458	12,311	40,609	2,988	64,882
N.Y. City	1,427	58,111	47,164	184,566	18,208	309,476
Roosevelt	10,370	19,898	17,717	68,218	34,732	150,935
Western N.Y.	15,632	14,092	9,869	21,854	514	61,961
Orange County	0	0	18,791	0	0	18,791
Total	$219,010	$318,925	$327,085	$599,395	$62,236 *	$1,526,651

*
This total includes the following services:

Dentistry (911)	$14,816
Pediatric General Medicine (936)	3,009
Podiatry (918)	7,747
Psychiatry (964)	22,600
Eye (919)	631
Rehabilitation Medicine (924)	8,270
Ears, Nose, Throat (935)	5,163
	$62,236

NEW YORK STATE
DEPARTMENT OF SOCIAL SERVICES
40 NORTH PEARL STREET, ALBANY, NEW YORK 12243-0001

BRIAN J. WING
Acting Commissioner

DAVID P. AVENIUS
Deputy Commissioner
Management Support and
Quality Improvement

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July 5, 1996

John Tournour
Regional Inspector General
for Audit Services
Office of Inspector General
Office of Audit Services
Department of Health and Human Services
26 Federal Plaza
New York, New York 10278

Re: HHS/OIG "ORT" Review: Outpatient Clinic Services Claimed by Seven United Cerebral Palsy Providers for Residents of Nursing Homes (A-02-01010) 96-013

Dear Mr. Tournour:

We reviewed your referenced report and wish to provide you with the following comments to the report's four recommendations.

Recommendation: Ensure that Department Officials immediately notify the UCP providers to discontinue billing Medicaid for therapy services rendered to nursing home residents.

Response: Department staff has met with representatives from various industry organizations such as the Day Treatment Provider Association, Nursing Facility Provider Association, Office of Mental Retardation and Developmental Disabilities, and Department of Health staff and during these meetings discussed among other issues your findings raised in your audit report.

Recommendation: Ensure that Department officials develop MMIS edits to deny such billings in the future.

Response: The Department plans to activate a MMIS edit that will determine whether claims submitted for OMRDD day treatment services are appropriate, and along with that effort we plan to see if it is feasible to initiate an edit for these types of claims.

Recommendation: Recover the inappropriate payments to the UCPs identified by our review as well as additional inappropriate payments made before and after our audit period.

Response: Quality Assurance and Audit staff has selected several UCP providers for review including those mentioned in the referenced report. We plan to examine claims made by these providers for the period January 1993 through December 1995 and to recover any duplicative payments made during that period. Future audits may be done in this area as well.

Recommendation: Obtain supplemental information from the UCPs to determine the nature of services included within the MR clinic specialty code and work with program officials to determine whether additional financial recoveries are warranted.

Response: See our response to the above recommendation.

Thank you for sharing this report with us and we trust our comments address the issues raised.

Sincerely,

Calvin C. Magrin for

John M. Daniels
Principal Social Services
Management Specialist
Office of Quality Assurance
and Audit