



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office Of Inspector General
Office Of Audit Services

September 30, 2009

Region II
Jacob Javits Federal Building
26 Federal Plaza - Room 3900
New York, NY 10278

Report Number: A-02-08-01029

Mr. Walter Otero
Assistant Vice President
New York City Health and Hospitals Corporation
Office of Internal Audits
160 Water Street, 7th Floor
New York, New York 10038

Dear Mr. Otero:

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 Coney Island Hospital." We will forward a copy of this report to the HHS action official noted below.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-02-08-01029 in all correspondence.

Sincerely,

A handwritten signature in cursive script that reads "James P. Edert".

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

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICARE CREDIT
BALANCES AT CONEY ISLAND
HOSPITAL**



**Daniel R. Levinson
Inspector General**

**September 2009
A-02-08-01029**

Office of Inspector General

<http://oig.hhs.gov>

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that
OIG post its publicly available reports on the OIG Web site.

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.

Coney Island Hospital (the hospital) is a 371-bed community medical center in Brooklyn, New York. The hospital is administered by the New York City Health and Hospitals Corporation. The hospital recorded 55 Medicare inpatient credit balances (totaling \$404,584) as of December 31, 2008, and 1,910 Medicare outpatient credit balances (totaling \$665,696) as of April 30, 2009, in its accounting records.

OBJECTIVE

Our objective was to determine whether Medicare inpatient and outpatient credit balances recorded in the hospital's accounting records as of December 31, 2008, and April 30, 2009, respectively, 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 130 inpatient and outpatient credit balances, totaling \$590,107, recorded in the hospital's accounting records as of December 31, 2008 and April 30, 2009, respectively, three were Medicare overpayments due to the Federal Government. All three Medicare overpayments, totaling \$60,366, were properly refunded to Medicare in accordance with Federal requirements. We are not submitting recommendations to the hospital.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
OBJECTIVE, SCOPE AND METHODOLOGY	1
Objective	1
Scope.....	1
Methodology	2
RESULTS OF REVIEW	3

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.

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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.

Coney Island Hospital (the hospital) is a 371-bed community medical center in Brooklyn, New York. The hospital is administered by the New York City Health and Hospitals Corporation. The hospital recorded 55 Medicare inpatient credit balances (totaling \$404,584) as of December 31, 2008, and 1,910 Medicare outpatient credit balances (totaling \$665,696) as of April 30, 2009, in its accounting records.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Medicare inpatient and outpatient credit balances recorded in the hospital's accounting records as of December 31, 2008, and April 30, 2009, respectively, represented overpayments that the hospital should have refunded to the Medicare program.

Scope

We reviewed all Medicare inpatient credit balances recorded in the hospital's accounting records as of December 31, 2008. We limited our review of outpatient credit balances to those over \$1,500 and a random sample selection of those over \$100 which were recorded in the hospital's

accounting records as of April 30, 2009.¹ 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 August 2009 at the hospital's administrative offices in Brooklyn, 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 inpatient Medicare accounts receivable totals to the hospital's inpatient aged trial balance as of December 31, 2008;²
- identified 1,965 Medicare credit balances, totaling \$1,070,280, recorded by the hospital in its accounting records;
- eliminated 651 outpatient credit balances less than \$100, totaling \$26,962, from the population of 1,965 credit balances;
- identified a sampling frame of 1,314 credit balances, totaling \$1,043,318;
- selected a stratified random sample of 130 credit balances, totaling \$590,107 from the sampling frame of 1,314 credit balances;³
- reviewed supporting documentation for each of the 130 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

¹ Based on the prospective nature of the hospital's accounting system, the hospital was unable to generate an outpatient credit balance report as of December 31, 2008. Consequently, the most current data available at the time of our audit was as of April 30, 2009.

² Due to the prospective nature of the hospital's accounting system, outpatient debit balances were not available to reconcile to the net Medicare accounts receivable totals in the hospital's outpatient trial balance as of April 30, 2009.

³ The 130 credit balances comprised (1) all 55 inpatient balances, totaling \$404,584; (2) all 45 outpatient balances of \$1,500 or more, totaling \$173,331; and (3) 30 randomly selected outpatient balances between \$100 and \$1,500, totaling \$12,192.

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.

RESULTS OF REVIEW

The hospital refunded Medicare credit balances in accordance with Federal requirements. Our review disclosed that of the 130 inpatient and outpatient credit balances, totaling \$590,107, recorded in the hospital's accounting records as of December 31, 2008, and April 30, 2009, respectively, three were Medicare overpayments due to the Federal Government. All three Medicare overpayments, totaling \$60,366, were properly refunded to Medicare in accordance with Federal requirements. We are not submitting recommendations to the hospital.