



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

JUL 16 2009

Region VII
601 East 12th Street
Room 0429
Kansas City, Missouri 64106

Report Number: A-07-09-02755

Ms. Joan Henneberry
Executive Director
Department of Health Care Policy & Financing
1570 Grant Street
Denver, Colorado 80203-1818

Dear Ms. Henneberry:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Medicaid Credit Balances at Boulder Manor Nursing Home." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

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If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, or contact Jim Korn, Audit Manager, at (303) 844-7153 or through email at James.Korn@oig.hhs.gov. Please refer to report number A-07-09-02755 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICAID CREDIT
BALANCES AT BOULDER MANOR
NURSING HOME**



Daniel R. Levinson
Inspector General

July 2009
A-07-09-02755

Office of Inspector General

<http://oig.hhs.gov>

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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

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 XIX of the Social Security Act, the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In Colorado, the Department of Health Care Policy and Financing (State agency) administers the State's Medicaid program in accordance with its CMS-approved State plan.

Providers of Medicaid services, such as nursing facilities, submit claims to the State agency in order to receive compensation for the services they provide to Medicaid beneficiaries. The State agency processes and pays the claims. The Federal Medical Assistance Percentage specifies the percentage of each claim to be reimbursed by Federal funds (this reimbursement is commonly referred to as the Federal share) and is determined pursuant to 42 CFR § 433.10.

Credit balances occur when the Federal reimbursement that a provider receives for services provided to a Medicaid beneficiary exceeds the charges earned, for example when a provider bills Medicaid for more days than the patient was at the facility. In such cases, the provider should return the existing overpayment to the Medicaid program, which pursuant to 42 CFR § 433.139 is the payer of last resort.

To avoid abuse of the Medicaid program, sound fiscal and business practices require provider repayment of identified overpayments within a reasonable period of time. Federal regulations require States to adjust any outstanding credit balances within 60 days after notification by a provider that a credit balance exists. The Code of Colorado Regulations at 10 CCR 2505-10 § 8.076.1 defines abuse of the Medicaid program as provider practices that are inconsistent with sound fiscal or business practices, to include failure to repay or make arrangements to repay overpayments or payments made in error.

Boulder Manor Nursing Home (Boulder Manor) is a 165-bed nursing home located in Boulder, Colorado, that participates in the Medicaid program. It is one of several affiliated homes in a multi-nursing home chain run by Sava Senior Care (Sava). Sava provides both short-term and long-term health care services and, through its affiliated entities, provides services through skilled nursing facilities in several States.

OBJECTIVE

Our objective was to determine whether the Medicaid credit balances recorded in Boulder Manor's accounting records for patient services constituted overpayments that should have been returned to the Medicaid program pursuant to Federal and State requirements.

SUMMARY OF FINDINGS

Medicaid credit balances recorded in Boulder Manor's accounting records for patient services included \$49,322 (\$24,661 Federal share) in unallowable overpayments that should have been returned to the Medicaid program pursuant to Federal and State requirements. These Medicaid credit balances also included \$23,036 (\$11,518 Federal share) in potentially unallowable overpayments that may, subject to further evaluation by the State agency, have to be returned to the Medicaid program.

Although Boulder Manor significantly improved the repayment of outstanding Medicaid credit balances in recent months, Boulder Manor had a large backlog of outstanding credit balances that had not been addressed yet. Fourteen of the 24 accounts reviewed with outstanding Medicaid credit balances were associated with billings that occurred over three years ago. As a result, Boulder Manor did not repay Medicaid overpayments totaling \$49,322 (\$24,661 Federal share) to the Medicaid program in a reasonable time period in accordance with Federal and State Medicaid requirements.

These errors occurred because Boulder Manor had inadequate policies and procedures in place to ensure the timely reimbursement of Medicaid overpayments. Specifically, Boulder Manor did not always have policies and procedures in place to:

- regularly review the Accounts Receivable Detail Report to identify and confirm outstanding Medicaid credit balances that were payable to the State agency and
- notify the State agency regarding outstanding Medicaid credit balances that were due and payable.

Furthermore, Boulder Manor officials confirmed that most of the credit balances over 60 days old were Medicaid overpayments. Due to the inadequacy of policies and procedures that would ensure that Boulder Manor would notify the State agency and refund any overpayments, we are setting aside, for adjudication by the State agency, the remaining credit balances at that facility: credit balances that we did not review and that totaled \$23,036 (\$11,518 Federal share) in potentially unallowable costs.

In our review of the accounts in Boulder Manor's accounting records, we determined that \$16,927 (\$8,463 Federal share) were not actually overpayments. These funds were included in Boulder Manor's accounting records in error.

RECOMMENDATIONS

We recommend that the State agency:

- recover from Boulder Manor the \$49,322 (\$24,661 Federal share) of Medicaid overpayments and refund the \$24,661 to the Federal Government;

- work with Boulder Manor to evaluate the remaining credit balances that we did not review and determine what portion (if any) of the \$23,036 (\$11,518 Federal share) was due to Medicaid overpayments, and then collect that portion and refund the Federal share to the Federal Government; and
- ensure that Boulder Manor develops, implements, documents, and maintains written policies and procedures to identify outstanding Medicaid credit balances and to notify the State agency of these credit balances in a timely manner.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our recommendations. The State agency's comments appear in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Medicaid Program

Pursuant to Title XIX of the Social Security Act, the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In Colorado, the Department of Health Care Policy and Financing (State agency) administers the State's Medicaid program in accordance with its CMS-approved State plan.

Federal Reimbursement and Medicaid Credit Balances

Providers of Medicaid services, such as nursing facilities, submit claims to the State agency in order to receive compensation for the services they provide to Medicaid beneficiaries. The State agency processes and pays the claims. The Federal Medical Assistance Percentage specifies the percentage of each claim to be reimbursed by Federal funds (this reimbursement is commonly referred to as the Federal share) and is determined pursuant to 42 CFR § 433.10.

Credit balances occur when the Federal reimbursement that a provider receives for services provided to a Medicaid beneficiary exceeds the charges earned, for example when a provider bills Medicaid for more days than the patient was at the facility. In such cases, the provider should return the existing overpayment to the Medicaid program, which pursuant to 42 CFR § 433.139 is the payer of last resort.

To avoid abuse of the Medicaid program, sound fiscal and business practices require provider repayment of identified overpayments within a reasonable period of time. Federal regulations require States to adjust any outstanding credit balances within 60 days after notification by a provider that a credit balance exists. The Code of Colorado Regulations at 10 CCR 2505-10 § 8.076.1 defines abuse of the Medicaid program as provider practices that are inconsistent with sound fiscal or business practices, to include failure to repay or make arrangements to repay overpayments or payments made in error.

Boulder Manor Nursing Home

Boulder Manor Nursing Home (Boulder Manor) is a 165-bed nursing home located in Boulder, Colorado, that participates in the Medicaid program. It is one of several affiliated homes in a multi-nursing home chain run by Sava Senior Care (Sava). Sava provides both short-term and long-term health care services and, through its affiliated entities, provides services through skilled nursing facilities in several States.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Medicaid credit balances recorded in Boulder Manor's accounting records for patient services constituted overpayments that should have been returned to the Medicaid program pursuant to Federal and State requirements.

Scope

We identified \$89,285 (\$44,642 Federal share) which comprised the 86 accounts in Boulder Manor's accounting records whose net Medicaid credit balances were, as of February 28, 2009, outstanding over 60 days. We selected 24 of the 86 accounts totaling \$66,249 (\$33,124 Federal share) for detailed testing.

We did not review the overall internal control structure at either Boulder Manor or the State agency because our objective did not require us to do so. Rather, we limited our review of internal controls to obtaining an understanding of the policies and procedures that Boulder Manor used to review credit balances and report overpayments to the Medicaid program.

We performed our fieldwork in March 2009 at Boulder Manor in Boulder, Colorado.

Methodology

To accomplish our objective, we:

- researched and reviewed Federal and State requirements pertaining to Medicaid credit balances;
- identified and reconciled Boulder Manor's Medicaid credit balances to its accounting records as of February 28, 2009;
- reconciled Boulder Manor's February 28, 2009, credit balance list to the accounts receivable records, and reconciled the accounts receivable records to the general ledger;
- judgmentally selected and tested 24 credit balance accounts that were outstanding over 60 days, that had Medicaid listed as a payer, and that had credit balances greater than \$1,000;
- reviewed provider claim reports, patient accounts receivable detail, and additional supporting documentation for each of the judgmentally selected credit balance accounts; and
- coordinated our audit with officials from the State agency.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

Medicaid credit balances recorded in Boulder Manor's accounting records for patient services included \$49,322 (\$24,661 Federal share) in unallowable overpayments that should have been returned to the Medicaid program pursuant to Federal and State requirements. These Medicaid credit balances also included \$23,036 (\$11,518 Federal share) in potentially unallowable overpayments that may, subject to further evaluation by the State agency, have to be returned to the Medicaid program.

Although Boulder Manor significantly improved the repayment of outstanding Medicaid credit balances in recent months, Boulder Manor had a large backlog of outstanding credit balances that had not been addressed yet. Fourteen of the 24 accounts reviewed with outstanding Medicaid credit balances were associated with billings that occurred over three years ago. As a result, Boulder Manor did not repay Medicaid overpayments totaling \$49,322 (\$24,661 Federal share) to the Medicaid program in a reasonable time period in accordance with Federal and State Medicaid requirements.

These errors occurred because Boulder Manor had inadequate policies and procedures in place to ensure the timely reimbursement of Medicaid overpayments. Specifically, Boulder Manor did not always have policies and procedures in place to:

- regularly review the Accounts Receivable Detail Report to identify and confirm outstanding Medicaid credit balances that were payable to the State agency and
- notify the State agency regarding outstanding Medicaid credit balances that were due and payable.

Furthermore, Boulder Manor officials confirmed that most of the credit balances over 60 days old were Medicaid overpayments. Due to the inadequacy of policies and procedures that would ensure that Boulder Manor would notify the State agency and refund any overpayments, we are setting aside, for adjudication by the State agency, the remaining credit balances at that facility: credit balances that we did not review and that totaled \$23,036 (\$11,518 Federal share) in potentially unallowable costs.

In our review of the accounts in Boulder Manor's accounting records, we determined that \$16,927 (\$8,463 Federal share) were not actually overpayments. These funds were included in Boulder Manor's accounting records in error.

FEDERAL AND STATE MEDICAID REQUIREMENTS

42 U.S.C. § 1396(b)(d)(2)(C) states that, “when an overpayment is discovered, which was made by a State to a person or other entity, the State shall have a period of 60 days in which to recover or attempt to recover such overpayment before adjustment is made in the Federal payment to such State on account of such overpayment [T]he adjustment in the Federal payment shall be made at the end of the 60 days, whether or not recovery was made.”

Pursuant to the implementing regulations for this legislation, 42 CFR § 433, subpart F, “Refunding the Federal Share of Medicaid Overpayments to Providers,” States must adjust any outstanding credit balances.

In accordance with these Federal regulations, the State agency must adjust the applicable claim or recover the amount of the Medicaid overpayment from the provider within 60 days of notification. The Code of Colorado Regulations at 10 CCR 2505-10 § 8.076.3 states that identified overpayments to a provider are recoverable “. . . through a repayment agreement with the Provider, by offsetting the amount owed against current and future claims of the Provider, through litigation, or by any other appropriate action within the [State agency’s] legal authority.”

The Code of Colorado Regulations at 10 CCR 2505-10 § 8.076.1 defines abuse of the Medicaid program as provider practices that are inconsistent with sound fiscal or business practices, to include failure to repay or make arrangements to repay overpayments or payments made in error. To avoid abuse of the Medicaid program, sound fiscal and business practices require provider repayment of identified overpayments within a reasonable period of time. Although the State regulations contain this language, the State of Colorado does not have any regulations requiring providers to refund Medicaid credit balances within a specified timeframe.

UNALLOWABLE MEDICAID OVERPAYMENTS

Medicaid credit balances recorded in Boulder Manor’s accounting records for patient services included \$49,322 (\$24,661 Federal share) in unallowable overpayments that should have been returned to the Medicaid program pursuant to Federal and State requirements. Our judgmental sample identified 24 cases of Medicaid credit balances at Boulder Manor that were, as of February 28, 2009, over 60 days old—and 14 of the 24 cases with outstanding Medicaid credit balances were associated with billings that occurred over three years ago.

These overpayments occurred primarily because in some cases Boulder Manor charged Medicaid for more days than patients were at the facility and because in some cases Boulder Manor billed Medicaid for part of the portion of costs for which patients were responsible. Sometimes the credit balances were outside the control of the nursing facility because the appropriate county did not verify the beneficiary’s income or determine the patient payment amount in a timely manner.

The types of issues described above can be improved, but the normal operations of the nursing home facility are such that overpayments will occur. Accordingly, this review focused on whether Boulder Manor had adequate policies and procedures in place to notify and repay the State agency in a timely manner once a Medicaid overpayment had been identified.

In October 2008, Boulder Manor hired a new Accounts Receivable employee who has helped Boulder Manor repay the State agency in a more timely manner. Our analysis of Boulder Manor's outstanding accounts receivable revealed that only two patient accounts totaling almost \$3,000, or six percent of the outstanding balance tested, were aged less than 180 days, indicating that within this period overpayments were generally repaid in a timely manner in compliance with the State requirements. Compared to prior periods, this trend represented a significant improvement.

POTENTIALLY UNALLOWABLE MEDICAID OVERPAYMENTS

Medicaid credit balances recorded in Boulder Manor's accounting records for patient services included \$23,036 (\$11,518 Federal share) in potentially unallowable overpayments that may, subject to further evaluation by the State agency, have to be returned to the Medicaid program.

During our fieldwork, Boulder Manor officials confirmed that most of the credit balances over 60 days old—that is, most of the credit balances above and beyond the 24 that we judgmentally selected for review—were Medicaid overpayments. Due to the inadequacy of policies and procedures that would ensure that Boulder Manor would notify the State agency and refund any overpayments, we are setting aside, for adjudication by the State agency, the remaining credit balances at that facility: credit balances that we did not review and that totaled \$23,036 (\$11,518 Federal share) in potentially unallowable costs.

INADEQUATE POLICIES AND PROCEDURES

Boulder Manor had inadequate policies and procedures in place to ensure the timely reimbursement of Medicaid overpayments pursuant to Federal and State requirements. Specifically:

- Boulder Manor did not always have policies and procedures in place to regularly review the Accounts Receivable Detail Report to identify and confirm outstanding Medicaid credit balances that were payable to the State agency; however, Boulder Manor officials said that the facility was currently implementing such policies and procedures.
- Boulder Manor did not always have policies and procedures in place to notify the State agency regarding outstanding Medicaid credit balances that were due and payable; however, Boulder Manor officials said that the facility was currently implementing such policies and procedures.
- Boulder Manor had not documented its current policies and procedures to identify and confirm outstanding Medicaid credit balances or to notify the State agency of such balances. Thus, although it appeared that the current Accounts Receivable staff was properly processing Medicaid overpayments, a continued absence of documented policies and procedures, if combined with any future employee turnover at Boulder Manor, could lead to problems in the identification, and timely notification to the State agency, of the outstanding Medicaid overpayments.

RECOMMENDATIONS

We recommend that the State agency:

- recover from Boulder Manor the \$49,322 (\$24,661 Federal share) of Medicaid overpayments and refund the \$24,661 to the Federal Government;
- work with Boulder Manor to evaluate the remaining credit balances that we did not review and determine what portion (if any) of the \$23,036 (\$11,518 Federal share) was due to Medicaid overpayments, and then collect that portion and refund the Federal share to the Federal Government; and
- ensure that Boulder Manor develops, implements, documents, and maintains written policies and procedures to identify outstanding Medicaid credit balances and to notify the State agency of these credit balances in a timely manner.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our recommendations. The State agency's comments appear in their entirety as the Appendix.

APPENDIX



COLORADO DEPARTMENT OF HEALTH CARE POLICY

1570 Grant Street, Denver, CO 80203-1818 • (303) 866-2993 • (303) 866-4411 Fax • 303- 866-4411

Bill Ritter, Jr., Governor • Joan Henneberry, Executive Director

July 16, 2009

Mr. Patrick J. Cogley, Regional Inspector General
Office of the Inspector General
601 E. 12th Street, Room 0429
Kansas City, MO 64106

Report Nos. A-07-09-02751, A-07-09-02755, A-07-09-02756

Dear Mr. Cogley

Please find the Department of Health Care Policy and Financing's responses to the 3 Medicaid Provider Credit Balance Audit Reports released in June 2009.

If you have any questions or comments, please feel free to contact the Department's Audit Coordinator, Laurie Simon at 303-866-2590 or laurie.simon@state.co.us.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Joan Henneberry'.

Joan Henneberry
Executive Director

JH:las

cc: HCPF Executive Director's Office
Jennifer Evans, Administration and Operations Office Director
Laurie Simon, HCPF Audit Coordinator
James Korn, OIG Audit Manager

**The Department of Health Care Policy and Financing's
Responses to Office of the Inspector General's
Medicaid Credit Balance Audit Recommendations
(Boulder Manor)**

July 16, 2009

Recommendation #1: Recover from Boulder Manor the \$49,322 (\$24,661 Federal share) of Medicaid overpayments and refund the \$24,661 to the Federal Government;

Health Care Policy and Financing's Response to #1:

Concur.

The Department agrees with the need to recover the identified overpayments represented by credit balances greater than 60 days old in Boulder Manor's accounting records, and will communicate with Boulder Manor to obtain this recovery.

Recommendation #2: work with Boulder Manor to evaluate the remaining credit balances that we did not review and determine what portion (if any) of the \$23,036 (\$11,518 Federal share) was due to Medicaid overpayments, and then collect that portion and refund the Federal share to the Federal Government.

Health Care Policy and Financing's Response to #2:

Concur.

The Department will work with Boulder Manor to determine if other credit balances over 60 days old exist which represent overpayments from the Department, and will recover the applicable overpayments.

Recommendation #3: Ensure that Boulder Manor develops, implements, documents, and maintains written policies and procedures to identify outstanding Medicaid credit balances and to notify the State agency of these credit balances in a timely manner.

Health Care Policy and Financing's Response to #3:

Concur.

The Department will work with Boulder Manor to ensure that the facility understands the requirement to refund overpayments to the Department on a timely basis, and to then ensure the facility adopts appropriate written policies and procedures to this effect.

Implementation dates for all 3 recommendations is August 2009.