



AUG 27 2009

Region IX  
Office of Audit Services  
90 – 7<sup>th</sup> Street, Suite 3-650  
San Francisco, CA 94103

Report Number: A-09-09-00073

Ms. Lillian B. Koller  
Director  
Department of Human Services  
1390 Miller Street, Room 209  
Honolulu, Hawaii 96813-2936

Dear Ms. Koller:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled “Review of Hawaii Medicaid Credit Balances for Kapi‘olani Medical Center at Pali Momi as of December 31, 2008.” 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.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (415) 437-8360, or contact Doug Preussler, Audit Manager, at (415) 437-8360 or through email at [Doug.Preussler@oig.hhs.gov](mailto:Doug.Preussler@oig.hhs.gov). Please refer to report number A-09-09-00073 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori A. Ahlstrand".

Lori A. Ahlstrand  
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 HAWAII  
MEDICAID CREDIT BALANCES  
FOR KAPI'OLANI MEDICAL  
CENTER AT PALI MOMI  
AS OF DECEMBER 31, 2008**



Daniel R. Levinson  
Inspector General

August 2009  
A-09-09-00073

# *Office of Inspector General*

<http://oig.hhs.gov>

---

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## *Office of Audit Services*

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

## *Office of Evaluation and Inspections*

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## *Office of Investigations*

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## *Office of Counsel to the Inspector General*

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

---

**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

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 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 Hawaii, the Department of Human Services (the State agency) administers Medicaid.

Credit balances may occur when the reimbursement that a provider receives for services provided to a Medicaid beneficiary exceeds the program payment ceiling or allowable costs, resulting in an overpayment. Credit balances may also occur when a provider receives payments for the same services from the Medicaid program and another third-party payer. In such cases, the provider should return the overpayment to the Medicaid program, which is the payer of last resort.

Section 1903(d)(2)(C) of the Act, implemented at 42 CFR § 433.300(b), states: “. . . when an overpayment is discovered . . . 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.”

Although the State agency does not have any regulations requiring providers to refund Medicaid credit balances within a specific timeframe, the Hawaii “Medicaid Provider Manual” contains instructions related to overpayments. Specifically, section 4.4.6.1 states: “Overpayments discovered by providers must be promptly reported to Medicaid for appropriate adjustments.”

Kapi‘olani Medical Center at Pali Momi (Pali Momi), an affiliate of Hawaii Pacific Health, is a community-based hospital located in Aiea, Hawaii. Pali Momi reported that it was reimbursed by the State agency approximately \$2.5 million for Medicaid services during calendar year 2008.

### **OBJECTIVE**

Our objective was to determine whether the Medicaid credit balances recorded in Pali Momi’s accounting records as of December 31, 2008, for inpatient and outpatient services represented overpayments that Pali Momi should have returned to the Hawaii Medicaid program.

### **SUMMARY OF FINDING**

As of December 31, 2008, Pali Momi’s 96 Medicaid accounts with credit balances greater than \$100 included 53 overpayments totaling \$38,896 (\$22,108 Federal share) that had not been returned to the Hawaii Medicaid program. Because we did not review 55 Medicaid accounts

with credit balances less than \$100, totaling \$2,043, we cannot express an opinion on this amount. The ages of the overpayments ranged from 1 day to over 730 days. Hawaii Pacific Health representatives stated that Pali Momi had not promptly returned the overpayments because implementing its new patient accounting system had diverted resources from managing credit balance accounts.

## **RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government \$22,108 (Federal share) in Hawaii Medicaid overpayments to Pali Momi for inpatient and outpatient services and
- work with Pali Momi to ensure that Medicaid credit balances are reviewed and that overpayments are promptly returned to the Hawaii Medicaid program.

## **STATE AGENCY COMMENTS**

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

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTION</b> .....	1
<b>BACKGROUND</b> .....	1
Medicaid Program.....	1
Federal and State Requirements.....	1
Kapi‘olani Medical Center at Pali Momi.....	1
<b>OBJECTIVE, SCOPE, AND METHODOLOGY</b> .....	2
Objective .....	2
Scope.....	2
Methodology .....	2
<b>FINDING AND RECOMMENDATIONS</b> .....	3
<b>OUTSTANDING CREDIT BALANCE ACCOUNTS WITH MEDICAID     OVERPAYMENTS</b> .....	3
<b>RECOMMENDATIONS</b> .....	4
<b>STATE AGENCY COMMENTS</b> .....	4
<b>APPENDIX</b>	
<b>STATE AGENCY COMMENTS</b>	

## INTRODUCTION

### BACKGROUND

#### Medicaid Program

Pursuant to Title XIX of the Social Security Act (the 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 Hawaii, the Department of Human Services (the State agency) administers Medicaid.

Credit balances may occur when the reimbursement that a provider receives for services provided to a Medicaid beneficiary exceeds the program payment ceiling or allowable costs, resulting in an overpayment. Credit balances may also occur when a provider receives payments for the same services from the Medicaid program and another third-party payer. In such cases, the provider should return the overpayment to the Medicaid program, which is the payer of last resort.

#### Federal and State Requirements

Section 1903(d)(2)(C) of the Act, implemented at 42 CFR § 433.300(b), states: “. . . when an overpayment is discovered . . . 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.”

Although the State agency does not have any regulations requiring providers to refund Medicaid credit balances within a specific timeframe, the Hawaii “Medicaid Provider Manual” contains instructions related to overpayments. Specifically, section 4.4.6.1 states: “Overpayments discovered by providers must be promptly reported to Medicaid for appropriate adjustments.”

#### Kapi‘olani Medical Center at Pali Momi

Kapi‘olani Medical Center at Pali Momi (Pali Momi), an affiliate of Hawaii Pacific Health, is a community-based hospital located in Aiea, Hawaii. Hawaii Pacific Health manages the patient accounting systems, including credit balance accounts, for Pali Momi and Hawaii Pacific Health’s other affiliates. Pali Momi reported that it was reimbursed by the State agency approximately \$2.5 million for Medicaid services during calendar year 2008.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the Medicaid credit balances recorded in Pali Momi's accounting records as of December 31, 2008, for inpatient and outpatient services represented overpayments that Pali Momi should have returned to the Hawaii Medicaid program.

### **Scope**

As of December 31, 2008, Pali Momi's inpatient and outpatient accounting records contained 151 credit balance accounts that listed Hawaii Medicaid as a payer, totaling \$164,730. We reviewed the 96 Medicaid accounts with credit balances greater than \$100, totaling \$162,687. These accounts included 75 outpatient accounts totaling \$88,000 and 21 inpatient accounts totaling \$74,687. We did not review the remaining 55 Medicaid accounts with credit balances less than \$100, totaling \$2,043.

Our objective did not require an understanding or assessment of the complete internal control system at Pali Momi. We limited our review of internal controls to obtaining an understanding of the policies and procedures that Pali Momi used to review credit balances and report overpayments to the State Medicaid program.

We performed our fieldwork at Hawaii Pacific Health's corporate office in Honolulu, Hawaii, from March through June 2009.

### **Methodology**

To accomplish our objective, we:

- reviewed Federal and State requirements pertaining to Medicaid credit balances and overpayments;
- reviewed Pali Momi's policies and procedures for reviewing credit balances and reporting overpayments to the State agency;
- traced Pali Momi's December 31, 2008, total credit balances to the accounts receivable records and traced the accounts receivable records to the trial balance;
- identified Pali Momi's Medicaid credit balances from its accounting records and reconciled the Medicaid credit balances to Pali Momi's total credit balances as of December 31, 2008;
- reviewed the credit balance accounts that listed Hawaii Medicaid as a payer and had credit balances greater than \$100;

- reviewed Pali Momi’s accounting records, including patient payment data, Medicaid claims forms and remittance advices, patient accounts receivable detail, and additional supporting documentation for each of the selected credit balance accounts;
- calculated the Federal share of overpayments based on Hawaii’s Federal medical assistance percentage rates, which ranged from 55.11 percent to 58.81 percent; and
- interviewed Hawaii Pacific Health representatives and coordinated our audit with State agency officials.

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 finding and conclusions based on our audit objective.

### **FINDING AND RECOMMENDATIONS**

As of December 31, 2008, Pali Momi’s 96 Medicaid accounts with credit balances greater than \$100 included 53 overpayments totaling \$38,896 (\$22,108 Federal share) that had not been returned to the Hawaii Medicaid program.

#### **OUTSTANDING CREDIT BALANCE ACCOUNTS WITH MEDICAID OVERPAYMENTS**

As of December 31, 2008, Pali Momi’s 96 Medicaid accounts with credit balances greater than \$100 included 53 overpayments totaling \$38,896 (\$22,108 Federal share) that had not been returned to the Medicaid program. Because we did not review 55 Medicaid accounts with credit balances less than \$100, totaling \$2,043, we cannot express an opinion on this amount. The ages of the overpayments ranged from 1 day to over 730 days, as the following table summarizes.

**Ages of Overpayments as of December 31, 2008**

<b>Days</b>	<b>No. of Accounts</b>	<b>Overpayment Amount</b>	<b>Federal Share</b>
1–60	3	\$2,484	\$1,368
61–180	22	12,662	7,151
181–365	22	7,589	4,288
366–730	4	15,937	9,172
> 730	2	224	129
<b>Total</b>	<b>53</b>	<b>\$38,896</b>	<b>\$22,108</b>

Hawaii Pacific Health representatives stated that Pali Momi had not promptly returned the overpayments because implementing its new patient accounting system had diverted resources from managing credit balance accounts.

## **RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government \$22,108 (Federal share) in Hawaii Medicaid overpayments to Pali Momi for inpatient and outpatient services and
- work with Pali Momi to ensure that Medicaid credit balances are reviewed and that overpayments are promptly returned to the Hawaii Medicaid program.

## **STATE AGENCY COMMENTS**

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

# **APPENDIX**

LINDA LINGLE  
GOVERNOR



LILLIAN B. KOLLER  
DIRECTOR

HENRY OLIVA  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
Med-QUEST Division-Finance Office  
1001 Kamokila Boulevard, Suite 317  
Kapolei, Hawaii 96707  
August 12, 2009

Ms. Lori Ahlstrand  
Regional Inspector General for Audit Services  
Department of Health & Human Services  
Office of the Inspector General  
Region IX  
Office of Audit Services  
90 7<sup>th</sup> Street, Suite 3-650  
San Francisco, CA 94103

Dear Ms. Ahlstrand:

**RE: U.S. Department of Health and Human Services, Office of the Inspector General (OIG), Report Number: A-09-09-00073**

This is to respond to your June 30, 2009 correspondence in which we received the draft report entitled "Review of Medicaid Credit Balances at Kapi`olani Medical Center at Pali Momi as of December 31, 2008." As requested, our written comments are provided below.

**Recommendation 1. The State agency refund to the Federal Government \$22,108 (Federal share) in Medicaid overpayments to Pali Momi for inpatient and outpatient services.**

The State fully agrees with this recommendation and will refund the \$22,108 in our CMS 64 report for quarter ending September 30, 2009.

**Recommendation 2. The State agency is to work with Pali Momi to ensure that Medicaid credit balances are reviewed and that overpayments are promptly returned to the Medicaid program.**

The State agrees to work with Pali Momi to ensure that Medicaid credit balances are reviewed and that overpayments are promptly returned to the Medicaid program. The state and its fiscal agent will contact Pali Momi within a month's time to present Provider Education on any issues that require assistance.

Ms. Lori Ahlstrand  
August 12, 2009  
Page 2

Please contact Dr. Kenneth Fink, Med-QUEST Division Administrator at (808) 692-8050 if there are any questions or if additional information is required. Thank you for your support and assistance in this matter.

Sincerely,



Lillian B. Koller  
Director

c: Albert Tadakuma, Region IX Accountant  
Jeanie Chan, Region IX Accountant  
Ann H. Kinningham, MQD Finance Officer  
Dr. Kenneth Fink, MQD Administrator