

# Audit of Provider Credit Balance Federal Match Repayment



Report Number 2016-04

June 21, 2016



## Utah Office of Inspector General

STATE OF UTAH

June 21, 2016

To: Utah Department of Health  
Utah Department of Human Services, Office of Recovery Services

Please see the attached report, Audit of Provider Credit Balances Federal Match Repayment, Report 2016-04. An Executive Summary is included at the inception of this report. The objectives and scope of the audit are explained on page 3 of this report.

Sincerely,

Gene Cottrell  
Inspector General  
Utah Office of Inspector General

cc: Joseph Miner, Nathan Checketts, Shari Watkins, Emma Chacon, Janica Gines, Tonya Hales, Eric Grant, Liesa Stockdale, Jana Darling, Debbie Headden, Aaron Eliason, Darin Dennis

# TABLE OF CONTENTS

Executive Summary .....	1
Introduction .....	2
Background.....	2
Objective and Scope .....	2
Methodology.....	2
Conclusion.....	3
Finding 1: Medicaid and DOH OFO, based on the ORS codes duplicated the repayment of the Federal match to CMS resulting in loss of state funds .....	4
Recommendations .....	5
Glossary of Terms .....	6
Management Responses.....	7
Evaluation of Management Response.....	10
Contact and Staff Acknowledgement .....	11

## EXECUTIVE SUMMARY

### **Background:**

Medicaid recovers payments for incorrect provider claims. In many instances, Medicaid deducts the recovery from the amounts owed for other claims, however, the recovery for providers that have no other claims queued remain in the provider account as credit and these are referred to as “provider credit balances”.

CMS requires repayment of the Federal match for the recovery. Medicaid issues regular debit gross adjustments and repays Federal match for recovery amounts not deducted from other claims within one year.

Medicaid contracts with the Utah Department of Human Services, Office of Recovery Services (ORS) to collect recovery amounts aged a year, or for recovery amounts for providers who are no longer Medicaid providers or have filed for bankruptcy.

ORS manually creates a case file in the ORSIS system and initiates collection procedures.

ORS receives the cash, deposits and then credits DOH through FINET.

DOH Office of Fiscal Operations (OFO) processes the FINET entries according to the codes assigned by ORS.

### **Audit Objective:**

Determine whether Medicaid performed properly the Federal match repayment for ORS recoveries of provider credit balances.

### **Audit Scope:**

Requests sent to ORS CY 2014 through CY 2015 for collection of Medicaid provider credit balances over one year.

### **Audit Finding:**

Medicaid and DOH OFO, based on the ORS codes, duplicated the Federal match repayment to CMS resulting in loss of state funds.

# INTRODUCTION

## BACKGROUND

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Medicaid recovers payments for incorrect provider claims. In many instances, Medicaid deducts the recovery amounts from the amounts owed for other claims, however, the recovery amount for providers that have no other claims queued remain in the provider account as credits and these are referred to as “provider credit balances”.

CMS requires repayment of the Federal match for the recovery amounts within one year of discovery. The Federal match for recovery amounts that deduct from other claims automatically repays. Medicaid issues regular debit gross adjustments and repays Federal match for recovery amounts not deducted from other claims within one year.

Medicaid contracts with the Utah Department of Human Services, Office of Recovery Services (ORS) to collect the recovery amounts aged a year, or for recovery amounts for providers who are no longer Medicaid providers or have filed for bankruptcy.

ORS manually creates a case file in the ORSIS system and initiates collection procedures.

ORS receives the cash, deposits and then credits DOH through FINET.

DOH Office of Fiscal Operations (OFO) processes the FINET entries according to the codes assigned by ORS.

## OBJECTIVE AND SCOPE

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### **Audit Objective:**

Determine whether Medicaid performed properly the Federal match repayment for ORS recoveries of provider credit balances.

### **Audit Scope:**

Requests sent to ORS CY 2014 through CY 2015 for collection of Medicaid provider credit balances over one year.

## METHODOLOGY

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To determine whether Medicaid properly performed the Federal match repayment for ORS recoveries of provider credit balances, the Utah OIG:

1. Reviewed Medicaid procedures for processing provider credit balances aged a year.

2. Reviewed ORS procedures for processing of cash collected for provider credit balances. Identified how cash codes, including program codes are assigned before or during the crossover to FINET.
3. Obtained from ORS a list of all items received from Medicaid, amounts requested and amounts collected. Obtained copies of the FINET entries transferring cash collected by ORS, to DOH.
4. Identified the ORS criteria for applying codes and how codes were applied, manually or automatically first into ORSIS, and then separately to FINET.
5. Reviewed the DOH OFO processing of these entries for Federal reporting on the CMS-64.

## **CONCLUSION**

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Medicaid and DOH OFO, based on ORS coding, duplicated the Federal match repayment during the regular cash draw process and, therefore, did not properly perform the Federal match repayment for ORS recoveries of provider credit balances.

**FINDING 1****Medicaid and DOH OFO, based on the ORS codes, duplicated the Federal match repayment to CMS resulting in loss of state funds.**

The Centers for Medicare & Medicaid Services (CMS) requires repayment of the Federal share for provider over-payments within one year of discovery. "The date on which an overpayment is discovered is the beginning date of the 1 year period allowed for a State to recover or seek to recover an overpayment before a refund of the Federal share of an overpayment must be made to CMS."

Medicaid recovers overpayments for incorrect provider claims. Medicaid deducts the recovery amounts from the amounts owed for other claims, however, accounts for providers that have no other claims queued will have a net "credit balance."

Medicaid processes regular debit gross adjustments to reverse the recovery amounts that remain uncollected for one year. Medicaid forwards information for the amounts uncollected to ORS for special collection procedures with instruction to ORS to credit collections to the state fund; however, the ORS system does not track fund requests.

The debit gross adjustments result in Medicaid repaying the Federal match to CMS.

Medicaid did not maintain summary information of the items forwarded to ORS prior to September 2015.

ORS identified requests received from Medicaid during Calendar Years (CY) 2014 and 2015 amounting to \$780,168.01 of which nearly all remained uncollected at December 31, 2015 with only \$15,049.61 collected according to ORS. One provider accounts for \$425,045.16 of the \$780,168.01.

ORS deposits the cash collected and performs accounting entries to transfer the proceeds to DOH. ORS uses a MS Excel spreadsheet that crosswalks the ORS cash codes to DOH codes including Medicaid program codes. ORS prepares the accounting entry and attaches the spreadsheet information for support. ORS transferred \$15,049.61 to DOH.

ORS collections in CY 2014 for requests received prior to January 2014 are not included in the \$15,049.61 total. Total collections for provider credit balances during CY 2014-2015 and prior was not determined.

Medicaid and DOH OFO, based on the ORS codes, again repaid the Federal match to CMS during the regular cash draw process, resulting in duplicate repayment amounting to approximately 70%, or \$10,534.73.

The spreadsheet programming mistakenly included Medicaid program codes. Since Medicaid repaid the Federal match prior to forwarding to ORS for collection, the payment to CMS of the Federal match following collection is duplication.

ORS indicates DOH and ORS jointly developed the spreadsheet several or more years previously. The date implemented was not determined.

## **Recommendations**

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- 1.1 Medicaid and ORS should redesign and correct the process for coding this type of Medicaid collection to facilitate correct reporting by DOH and avoid duplicate repayment of the Federal match.
- 1.2 DOH OFO and Medicaid, with ORS assistance for collection identification, should quantify all misclassified amounts for past and current filings, back as far as CMS permits corrections to the CMS-64 for the federal match cash draw.

## GLOSSARY OF TERMS

The first use of each term is described in the report. The glossary is included to help ensure easier reading.

Term    Description

CMS    Centers for Medicare & Medicaid Services

DOH    Utah Department of Health

MMIS    Medicaid Management Information System

OFO    Utah Department of Health, Office of Fiscal Operations

OIG    Utah Office of Inspector General

ORS    Office of Recovery Services, division of the Utah Department of Human Services

# MANAGEMENT RESPONSES



State of Utah

GARY R. HERBERT  
Governor

SPENCER J. COX  
Lieutenant Governor

## Utah Department of Health

JOSEPH K. MINER, MD, MSPH, FACPM  
Executive Director

### Division of Medicaid and Health Financing

NATE CHECKETTS  
Deputy Director, Utah Department of Health  
Director, Division of Medicaid and Health Financing

June 14, 2016

Gene Cottrell  
Inspector General  
Office of the Inspector General of Medicaid Services  
P.O. Box 14103  
Salt Lake City, Utah 84114

Dear Mr. Cottrell:

Thank you for the opportunity to respond to the audit entitled *Audit of Provider Credit Balances Federal Match Repayment* (Report 2016-04). We appreciate the effort and professionalism of you and your staff in this review. Likewise, our staff has spent time collecting information for your review, answering questions, and planning changes to improve the program. We believe that the results of our combined efforts will make a better, more efficient program.

We concur with the first recommendation in this report and do not concur with the second. Our response describes the actions the Department will take to implement the first recommendation.

The Department of Health is committed to the efficient and effective use of taxpayer funds and values the insight this report provides on areas that need to be improved.

Sincerely,

A handwritten signature in black ink that reads "Nate Checketts".

Nate Checketts  
Deputy Director, Department of Health  
Division Director, Medicaid and Health Financing



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*Response to Recommendations*

Recommendation 1.1

*Medicaid and ORS should redesign and correct the process for coding this type of Medicaid collection to facilitate correct reporting by DOH and avoid duplicate repayment of the Federal match.*

Department response:

We concur with this recommendation. We have scheduled a meeting with ORS to review the coding spreadsheet used by ORS. In addition, we will review the entire process for accuracy and controls to prevent duplicate payments of Federal match in the future.

*Contact: Eric Grant, Director, Bureau of Financial Services, 801-538-7099  
Implementation Date: June 30, 2016*

Recommendation 1.2

*DOH OFO and Medicaid, with ORS assistance for collection identification, should quantify all misclassified amounts for past and current filings, back as far as CMS permits corrections to the CMS-64 for the federal match cash draw.*

Department response:

We do not concur with this recommendation. 45 CFR 95.7 limits the Department's ability to draw federal funding to 2 years after the calendar quarter in which the State Agency made the expenditure. There are some exceptions to this rule, however, the exceptions are not applicable in this case. At the time that credit balances are referred to ORS, they are one year old. Considering that the original claims reported to CMS in order to draw down the federal share are older than the related credit balance, and that it takes time for ORS to collect on the credit balances, the most likely scenario is that we will be already beyond the two year threshold for reclaiming the federal match on most of the original claims. Considerable resources and time would need to be used to research each collection, to tie it back to the original claim, and to determine if the two year limit has been exceeded. Given the small dollar amount of the finding and the likelihood that we will be beyond the two year limit to draw federal funds, DMHF does not believe that this is an efficient or effective use of administrative resources. As a result, the department will fix the problem prospectively as stated in the response to recommendation 1.1.

*Contact: Eric Grant, Director, Bureau of Financial Services, 801-538-7099*



State of Utah

GARY R. HERBERT  
*Governor*

SPENCER J. COX  
*Lieutenant Governor*

DEPARTMENT OF HUMAN SERVICES

ANN SILVERBERG WILLIAMSON  
*Executive Director*

Office of Recovery Services

LIESA STOCKDALE  
*Director*

June 8, 2016

Utah Office of the Inspector General  
Martha Hughes Cannon Health Building  
288 N 1460 W  
Salt Lake City, UT 84116

RE: Findings in Audit of Provider Credit Balance Federal Match Repayment

Thank you for the opportunity to respond to the findings presented in the Audit of Provider Credit Balance Federal Match Repayment.

Having reviewed the audit and finding presented, the Office of Recovery Services understands the finding and the resulting recommendations. The Office of Recovery Services commits to cooperating with the Department of Health to make corrections to the coding process and will assist with collection identification as discussed in recommendations 1.1 and 1.2.

Thank you for the feedback which this audit provided. The Office of Recovery Services will take this opportunity to improve our efforts to protect Utah's Medicaid dollars.

Sincerely,

Liesa Stockdale  
Director, Office of Recovery Services

cc: Dr. Joseph Miner  
Nathan Checketts  
Emma Chacon  
Ann Silverberg Williamson  
Mark Brasher

## EVALUATION OF MANAGEMENT RESPONSE

Medicaid agrees with the finding and with recommendation 1.1 to correct the process and procedures to prevent duplicate payment of the Federal match in the future. Medicaid designated a responsible person to implement changes promptly by June 30, 2016. We will review the adequacy of Management's corrective action following June 30, 2016.

Medicaid did not concur with recommendation 1.2 to correct past and current duplicate repayments to the extent permitted by CMS. We understand that the return on time to correct past duplicate repayments may not be cost effective but we still recommend for duplicate repayments to be corrected in the current CMS-64 before filing.

The ORS response is adequate.

## UTAH OIG CONTACTS AND STAFF ACKNOWLEDGEMENT

### UTAH OIG CONTACT



Ron Sufficool, CPA, CISA, CIA, CFE, CMA, CGAP  
Lead Auditor

Kevin Anderson  
Audit Manager

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### UTAH OIG MISSION STATEMENT

The Utah Office of Inspector General will enhance the integrity of the Utah State Medicaid program by preventing fraudulent, abusive, and wasteful practices within the Medicaid program and recovering improperly expended Medicaid funds while promoting a high quality of patient care.

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### ADDRESS

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### OTHER

Website: <http://www.oig.utah.gov/>  
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