



# Department of Health

**ANDREW M. CUOMO**  
Governor

**HOWARD A. ZUCKER, M.D., J.D.**  
Commissioner

**SALLY DRESLIN, M.S., R.N.**  
Executive Deputy Commissioner

October 14, 2016

Ms. Andrea Inman, Audit Director  
Office of the State Comptroller  
Division of State Government Accountability  
110 State Street – 11<sup>th</sup> Floor  
Albany, New York 12236-0001

Dear Ms. Inman:

Enclosed are the Department of Health's comments on the Office of the State Comptroller's Follow-Up Audit Report 2016-F-5 entitled, "Improper Fee-for-Service Payments for Pharmacy Services Covered by Managed Care." (2014-S-5)

Thank you for the opportunity to comment.

Sincerely,

Sally Dreslin, M.S., R.N.  
Executive Deputy Commissioner

Enclosure

cc: Michael J. Nazarko  
Jason A. Helgerson  
Dennis Rosen  
James Dematteo  
James Cataldo  
Ronald Farrell  
Brian Kiernan  
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**Department of Health  
Comments on the  
Office of the State Comptroller's  
Follow-Up Audit Report 2016-F-5 entitled,  
Improper Fee-for-Service Payments for Pharmacy Services Covered  
by Managed Care (Report 2014-S-5)**

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The following are the Department of Health's (Department) comments in response to the Office of the State Comptroller's (OSC) Follow-Up Audit Report 2016-F-5 entitled, "Improper Fee-for-Service Payments for Pharmacy Services Covered by Managed Care." (Report 2014-S-5).

**Background**

New York State (NYS) is a national leader in its oversight of the Medicaid Program. The Office of the Medicaid Inspector General (OMIG) conducts on-going audits of the Medicaid program and managed care plans. The Department and OMIG will continue to focus on achieving improvements to the Medicaid program and aggressively fighting fraud, waste and abuse.

Under Governor Cuomo's leadership, the Medicaid Redesign Team (MRT) was created in 2011 to lower health care costs and improve quality of care for its Medicaid members. Since 2011, Medicaid spending has remained under the Global Spending Cap, while at the same time providing health care coverage to an additional 1,405,500 fragile and low income New Yorkers. Additionally, Medicaid spending per recipient decreased to \$7,868 in 2014, consistent with levels from a decade ago.

**Recommendation #1**

Review the \$978,251 in improper fee-for-service claim payments we identified and recover overpayments as appropriate.

Status – Not Implemented

Agency Action – The Office of the Medicaid Inspector General (OMIG) investigates and recovers improper Medicaid payments on behalf of the Department. In the Department's formal response to our initial audit, officials stated "OMIG is in the process of recovering overpayments, as appropriate." However, at the time of our follow-up review, no recoveries had been made. OMIG officials informed us that they had analyzed the improper payments we identified and will initiate audits to recover any overpayments. However, officials could not provide an estimate of the recoveries expected from the OMIG audits.

**Response #1**

OMIG has performed analysis on the overpayments, and will continue working with the Department to recover inappropriate payments.

**Recommendation #2**

Take corrective action to help ensure managed care enrollment information, particularly for newborns, is entered and updated timely.

Status – Implemented

Agency Action – Our initial audit found that the improper payments occurred primarily because Medicaid eligibility files were not updated with managed care enrollment information in a timely manner. Further, over 13,000 of the 18,010 Medicaid recipients identified on the inappropriate claims were newborns. On June 23, 2016, the Department converted its Welfare Management System bi-monthly managed care enrollment system to the daily 834-transaction system currently used by NYSOH. Under the new system, enrollment information is transmitted on a daily basis, which will ensure that enrollment information, including enrollment information for newborns, is updated more timely.

**Response #2**

The Department confirms our agreement with this report.

**Recommendation #3**

Determine why fee-for-service pharmacy claims were inappropriately paid during October 2011 and take any necessary corrective actions.

Status – Implemented

Agency Action – Our initial audit found that Medicaid improperly paid \$161,351 (of the \$978,251) in fee-for-service pharmacy claims during October 2011, the first month that pharmacy benefits were covered under managed care. According to Department officials, an eMedNY edit (i.e., a payment control in the Department’s eMedNY Medicaid claims processing and payment system) that was intended to deny payment of fee-for-service claims when a recipient was enrolled in managed care was improperly designed. In particular, the edit allowed certain fee-for-service claims to bypass the edit and be paid. Soon after the edit was put in place, the Department corrected the error, and fee-for-service pharmacy claims were appropriately denied.

**Response #3**

The Department confirms our agreement with this report.