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OFFICE OF THE STATE COMPTROLLER

December 7, 2017

Howard A. Zucker, M.D., J.D.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Re: Appropriateness of Medicaid Eligibility
Determined by the New York State of
Health System
Report 2017-F-4

Dear Dr. Zucker:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Department of Health to implement the recommendations contained in our audit report, *Appropriateness of Medicaid Eligibility Determined by the New York State of Health System* (Report 2014-S-4).

Background, Scope, and Objective

The Department of Health (Department) administers the State's Medicaid program, which provides a wide range of health care services to individuals who are economically disadvantaged and/or have special health care needs. With the enactment of the federal Patient Protection and Affordable Care Act in 2010 (Act), the State developed the New York State of Health (NYSOH) as a new online marketplace for individuals to obtain health insurance coverage, including Medicaid.

The Act affected how information provided by applicants is verified, pushing states to use electronic data sources to automate verifications and make real-time decisions. Individuals applying for Medicaid, and other public assistance programs, are assigned a Client Identification Number (CIN) that uniquely identifies them. NYSOH was required to have an automated process for checking existing CIN assignments in the State's other public benefit system (the Welfare Management System [WMS]) to avoid multiple CIN assignments for a single individual. Federal rules also required NYSOH to verify whether an applicant had already been determined eligible for Medicaid coverage. According to Department officials, the launch of NYSOH allowed, for the first time, the State's public benefit systems to use a universal CIN clearance process to achieve

this. The Department subsequently created a web service to automatically search data within each system to identify demographic matches and potential CINs that might exist for an applicant.

Additionally, to facilitate accurate Medicaid eligibility and enrollment determinations in NYSOH as well as health insurance marketplaces in other states, the federal government built a Data Services Hub (Hub) – a clearinghouse for identity, income, life status (alive or deceased), citizenship, and immigration status information. NYSOH is required to use the Hub to verify applicants' Social Security numbers and other information before determining eligibility and enrollment.

The NYSOH and WMS systems transmit Medicaid eligibility, coverage, and enrollment data to the Department's eMedNY system, which processes Medicaid claims submitted by providers for services rendered to Medicaid-eligible recipients and generates payments to reimburse the providers for their claims. It is critical that Medicaid enrollments are accurate and that each Medicaid recipient have a single CIN. For example, if CINs of deceased enrollees remain active or if more than one CIN is assigned to a person and claims are submitted using the different CINs, substantial Medicaid overpayments can occur.

We issued our initial audit report on October 28, 2015. The audit objectives were to determine if NYSOH had adequate controls to ensure accurate enrollments in the Medicaid program and to determine whether improper enrollments caused Medicaid overpayments. The audit covered the period October 1, 2013 through October 1, 2014.

Our initial audit found NYSOH's eligibility system lacked adequate read-only access, which limited our ability to fully assess and conclude on the Department's NYSOH internal control activities and fully determine the deficiencies that caused improper enrollments and allowed Medicaid overpayments. We reported these and other impediments as audit scope impairments.

Using other Medicaid data sources, our initial audit determined that a range of design and process flaws in NYSOH's eligibility process permitted inappropriate Medicaid enrollments that resulted in overpayments totaling about \$3.4 million since NYSOH's implementation. We determined:

- NYSOH enrolled deceased individuals and continued Medicaid coverage for individuals who had died after enrollment, resulting in Medicaid overpayments of \$325,030;
- NYSOH issued multiple CINs to individual recipients, resulting in actual Medicaid overpayments of \$2,852,210 and potential overpayments of \$188,131; and
- NYSOH issued unreasonably high numbers of CINs for expected multiple births per pregnancy – in some cases up to ten per pregnancy. In a single case, unnecessary CINs permitted eMedNY to make \$4,796 in improper Medicaid payments for nine of ten improbable CINs issued for one pregnancy.

We recommended that the Department: review and correct NYSOH system weaknesses; correct the improper Medicaid enrollments we identified; recover identified inappropriate payments; and ensure NYSOH system auditability.

The objective of our follow-up was to assess the extent of implementation, as of August 18, 2017, of the 14 recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

Department officials made progress addressing the problems we identified in the initial audit report. The Department made certain improvements to NYSOH, and most of the overpayments caused by the enrollment of deceased individuals were recouped. However, further actions are still needed. The Department did not recover most of the identified overpayments caused by multiple CINs issued to individual recipients. We also determined the Department did not terminate the corresponding Medicaid eligibility of all of these CINs, which caused additional overpayments totaling up to \$801,759 to continue between January 1, 2016 and August 1, 2017. During our follow-up, we informed Department officials of the additional overpayments, and they ended the eligibility for the remaining improper CINs we identified. However, the Department has not completed steps to “link together” each recipient’s multiple improper CINs to prevent potential overpayments from occurring again.

Of the initial report’s 14 recommendations, 12 were implemented and 2 were partially implemented.

Follow-Up Observations

Recommendation 1

With high priority, develop and implement read-only access to allow for adequate oversight and auditability of the NYSOH system.

Status – Implemented

Agency Action – In November 2015, the Department implemented a secure read-only access functionality within the NYSOH eligibility system, which allows a user to view data submitted by NYSOH applicants, results of system processing, and communications between NYSOH and applicants. This functionality alone does not provide an adequate audit trail, but in conjunction with other NYSOH tools, the eligibility system is auditable.

Recommendation 2

Design and implement a formal mechanism to independently monitor and manage approved business requirements and functionalities that have yet to be incorporated into the NYSOH production system.

Status – Implemented

Agency Action – During our follow-up, Department officials demonstrated they have access to tools that allow them to monitor and manage unfinished business requirements and functionalities.

Recommendation 3

Investigate the life status of the 354 deceased NYSOH enrollees identified and update their Medicaid enrollment and coverage, as appropriate.

Status – Implemented

Agency Action – We confirmed the Department updated the Medicaid enrollment and coverage for 350 deceased NYSOH enrollees. The Department determined the remaining four NYSOH enrollees were alive.

Recommendation 4

Review the \$325,030 in inappropriate Medicaid payments identified and recover where appropriate.

Status – Implemented

Agency Action – The Office of the Medicaid Inspector General (OMIG) investigates and recovers improper Medicaid payments on behalf of the Department. As of May 10, 2017, the OMIG recovered \$308,719 of the \$325,030, and sent collection letters to providers to recover \$8,400 more of the identified inappropriate payments. The OMIG also determined \$7,539 was appropriate and disregarded \$372 that was below the OMIG's review threshold.

Recommendation 5

Formally assess the controls for and accuracy of NYSOH's processing of federal Hub responses that indicate whether an individual is alive or deceased. Implement improvements where necessary.

Status – Implemented

Agency Action – The Department conducted comprehensive testing with the Hub to assess NYSOH's receipt of Hub responses related to a new service in 2016 called the Periodic Verification Composite (PVC) service. The PVC service is provided by the Social Security Administration and reports whether an individual is alive or deceased and, if deceased, the date of death. The Department provided test documentation that showed the Hub sent and NYSOH correctly received the PVC data for deceased individuals in their test cases.

Recommendation 6

Develop and implement formal procedures for the routine and timely identification of deceased enrollees. Consider leveraging the Department's current monthly matching process to include NYSOH enrollees until the federal periodic verification process is fully implemented.

Status – Implemented

Agency Action – Since January 2016, the Department uses the federal Hub PVC service (discussed in Recommendation 5, Agency Action) to routinely identify deceased enrollees.

Recommendation 7

Review the 32,989 multiple CINs identified in this report, and end eligibility and coverage where appropriate.

Status – Implemented

Agency Action – The Department made significant progress to end eligibility and coverage for the 32,989 improper CINs we identified. However, as of August 18, 2017, we determined that 1,069 of the 32,989 CINs still had active Medicaid eligibility, which caused additional inappropriate payments totaling up to \$801,759 to continue between January 1, 2016 and August 1, 2017. After this finding was shared with Department officials, they prioritized the matter and ended the eligibility and coverage for the 1,069 active CINs.

Recommendation 8

Review the \$3,040,341 in overpayments identified in this report caused by multiple CINs, and recover where appropriate.

Status – Partially Implemented

Agency Action – As of May 10, 2017, the OMIG recovered overpayments totaling \$265,843. OMIG officials reported \$1,249,642 of the identified overpayments were under review and the remaining \$1,524,856 (\$3,040,341 - \$265,843 - \$1,249,642) would be reviewed as time and resources permitted.

Recommendation 9

Design and implement controls to prevent the improper addition of a new person (newborn) to a mother's account when an unborn CIN already exists on that account.

Status – Implemented

Agency Action – The Department designed and implemented controls to address the improper addition of a newborn to a mother's account when an unborn CIN already existed (the Department requires NYSOH to issue a CIN to an "unborn recipient" when a Medicaid recipient reports that she is pregnant). The Department provided system design documentation showing NYSOH rules were implemented to prevent the addition of a newborn under one year of age when an unborn CIN already existed on the mother's account. The Department also provided its test results showing the proper addition of a new person when an unborn CIN already existed.

Recommendation 10

Design and implement controls in the universal CIN clearance process, including when a mother's CIN is found, to determine if any associated CINs for unborn recipients already exist.

Status – Partially Implemented

Agency Action – NYSOH was designed to be updated with newborn information automatically via coordination of various electronic files from hospitals; however, due to design flaws, the Department had not implemented this part of the system as planned. In response to our initial audit, the Department indicated this hospital matching process would be activated on April 30, 2016.

During our follow-up, Department officials said the hospital matching process had not been implemented due to design problems. Officials expected the process to be corrected and implemented in fall 2017.

Recommendation 11

Design and implement a process to notify the eMedNY claims processing and payment system to link the errant multiple CINs NYSOH created.

Status – Implemented

Agency Action – The Department incorporated procedures to link multiple NYSOH-created CINs that were inappropriately assigned to the same recipient into an existing manual process used to link multiple CINs created by WMS. However, our follow-up found only 1,578 of the 32,989 multiple CINs identified in our initial audit were linked in eMedNY (according to the Medicaid Data Warehouse). Considering the length of time it takes to manually link improper CINs, the Department should consider automating this process for simple and clear improper CIN cases to allow staff to concentrate on more complex CIN cases.

Recommendation 12

Review the 283 unborn CINs for the 60 applicants we identified and end eligibility and coverage where appropriate.

Status – Implemented

Agency Action – We confirmed the Department ended Medicaid eligibility and coverage for the inappropriate unborn CINs we identified.

Recommendation 13

Review the case with overpayments totaling \$4,796 identified in this report and recover where appropriate.

Status – Implemented

Agency Action – The claims representing the \$4,796 were voided and fully recovered.

Recommendation 14

Analyze where the breakdown in system development occurred (pertaining to establishing a limit on unborn CINs as designed), and take corrective action to prevent similar errors in further NYSOH development.

Status – Implemented

Agency Action – The initial audit determined that rules establishing a limit on unborn CINs, which were agreed upon during NYSOH design and development, were not implemented as designed. Although Department officials were unable to explain why or how this happened, our follow-up determined that the Department corrected the limit on unborn CINs.

Major contributors to this report were Gail Gorski, Daniel Rossi, Tracy Glover, and Alyssa Mumford.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank the management and staff of the Department for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Warren Fitzgerald
Audit Manager

cc: Ms. Diane Christensen, Department of Health
Mr. Dennis Rosen, Medicaid Inspector General