NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL

REVIEW OF SCHC TOTAL CARE, INC.'S CAPITATION PAYMENTS PRIOR TO BIRTH FOR DATES OF SERVICE FROM NOVEMBER 1, 2008 THROUGH JULY 1, 2012

FINAL AUDIT REPORT

James C. Cox
Medicaid Inspector General
November 28, 2012

OFFICE OF THE MEDICAID INSPECTOR GENERAL

www.omig.ny.gov

The mission of the Office of the Medicaid Inspector General (OMIG), as mandated by New York Public Health Law § 31 is to preserve the integrity of the New York State Medicaid program by preventing and detecting fraudulent, abusive and wasteful practices within the Medicaid program and recovering improperly expended Medicaid funds.

DIVISION OF MEDICAID AUDIT

The Division of Medicaid Audit professional staff conducts audits and reviews of Medicaid providers to ensure compliance with program requirements and, where necessary, to recover overpayments. These activities are done to monitor the cost-effective delivery of Medicaid services for prudent stewardship of scarce dollars; to ensure the required involvement of professionals in planning care to program beneficiaries; safeguard the quality of care, medical necessity and appropriateness of Medicaid services provided; and, to reduce the potential for fraud, waste and abuse.

DIVISION OF MEDICAID INVESTIGATIONS

The Division of Medicaid Investigations (DMI) investigates potential instances of fraud, waste, and abuse in the Medicaid program. DMI deters improper behavior by inserting covert and overt investigators into all aspects of the program, scrutinizing provider billing and services, and cooperating with other agencies to enhance enforcement opportunities. Disreputable providers are removed from the program or prevented from enrolling. Recipients abusing the system are not removed from this safety net, but their access to services is examined and restricted, as appropriate. DMI maximizes cost savings, recoveries, penalties, and improves the quality of care for the state's most vulnerable population.

DIVISION OF TECHNOLOGY AND BUSINESS AUTOMATION

The Division of Technology and Business Automation will continue to support the data needs for the OMIG in the form of audit and investigative support, data mining and analysis, system match and recovery, through the use of commercial data mining products and procurement of expert service consultants.

OFFICE OF COUNSEL TO THE MEDICAID INSPECTOR GENERAL

The Office of Counsel to the Medicaid Inspector General promotes the OMIG's overall statutory mission through timely, accurate and persuasive legal advocacy and counsel.

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ATTACHMENT II -- Final Audit Report Overpayments

STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
800 North Pearl Street
Albany, New York 12204

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

November 28, 2012

[redacted]
SCHC Total Care, Inc.
819 South Salina Street
Syracuse, New York 13202

Re: Final Audit Report
Audit # 12-5436
Provider #[redacted]

Dear [redacted]:

The New York State Office of the Medicaid Inspector General (OMIG) has identified Medicaid and/or Family Health Plus capitation payments made to SCHC Total Care, Inc. (Plan) for dates of service prior to the newborn's month of birth for the period November 1, 2008 through July 1, 2012. In accordance with the *Medicaid Managed Care and/or Family Health Plus and/or HIV Special Needs Plan Model Contract* (Contract) and Section 517.6 of Title 18 of the Official Compilation of Codes, Rules and Regulations of the State of New York (18 NYCRR), this Final Audit Report represents the final determination on the issues found during the OMIG's review.

The Plan's October 10, 2012 response to the OMIG's August 30, 2012 Draft Audit Report confirmed the audit findings. As a result, the findings in the Final Audit Report remain unchanged from those in the Draft Audit Report. A detailed explanation can be found in the Findings section.

BACKGROUND

The New York State Department of Health (DOH) is responsible for the administration of the Medicaid program. As part of its responsibility as an entity within DOH, the OMIG conducts audits and reviews of various providers of Medicaid reimbursable services, equipment and supplies. These audits and reviews are directed at assessing provider compliance with applicable laws, regulations, rules and policies of the Medicaid program as set forth in New York Public Health Law, New York Social Services Law, the regulations of the DOH (Titles 10 and 18 of NYCRR), the regulations of the Office of Mental Health (Title 14 of the NYCRR), and the DOH's Medicaid Provider Manuals, *Medicaid Update* publications and the Contract.

In accordance with 18 NYCRR Parts 517 and 518 and pursuant to the Contract, Section 3.6 (Compensation – State Department of Health Right to Recover Premiums) and Appendix H, the

OMIG, on behalf of DOH, has the right to recover premiums paid to the Plan in instances where the enrollee was inappropriately enrolled into managed care with a retroactive effective date.

PURPOSE AND SCOPE

The purpose of this audit was to identify instances where the Plan received a capitation payment from Medicaid and the enrollee was born after the payment month. These cases were identified by a computerized match comparing the enrollee's date of birth with the dates of capitation payments. The scope of the review included capitation payments made to the Plan during the period November 1, 2008 through July 1, 2012.

FINDINGS

A Draft Audit Report was issued on August 30, 2012 identifying $8,322.13 in overpaid capitation payments made to the Plan for enrollees prior to the month of their birth. In its October 10, 2012 response (Attachment I) to the Draft Audit Report the Plan confirmed the findings of the Draft Audit Report. As a result, the findings of the Final Audit Report remain unchanged from those cited in the Draft Audit Report. As stated in the Contract, specifically Section 3.6 (Compensation – State Department of Health Right to Recover Premiums) and Appendix H of the Contract, as well as 18 NYCRR Parts 517 and 518, the OMIG, on behalf of DOH, has a right to recover overpayments paid to the Plan for enrollees who were inappropriately enrolled into managed care with a retroactive effective date.

The total amount of overpayment as defined in 18 NYCRR § 518.1 is $8,322.13 (Claim Amount column of Attachment II). Subsequent to the issuance of the Draft Audit Report, the Plan submitted several claim voids in the amount of $8,322.13 (Voided Amount column of Attachment II) which reduced the total amount of the overpayment remaining to be recovered to $0.00 (Attachment II).

In accordance with 18 NYCRR Section 518.4 interest may be collected on any overpayments identified in this audit and will accrue at the current rate from the date of the overpayment. Interest was calculated on the overpayments identified in this Final Audit Report using the Federal Reserve Prime rate (3.25%) from the date of each overpayment through the date of August 29, 2012. As a result, for the overpayments identified in this audit, the OMIG has determined that accrued interest of $1,002.54 is owed (Interest column of Attachment II).

Based on this determination, the total amount of overpayment, as identified in 18 NYCRR Section 518.1 is $1,002.54, inclusive of interest (Total Amount Due column of Attachment II). Repayment of $1,002.54 is due the DOH.

REPAYMENT OPTIONS

In accordance with 18 NYCRR Part 518, which regulates the collection of overpayments, your repayment options are described below.

> **OPTION #1**: Make full payment by check or money order within 20 days of the date of the final report. The check should be made payable to the **New York State Department of Health** with audit number included and be sent with the attached Remittance Advice to:

New York State Department of Health
Medicaid Financial Management, B.A.M.
GNARESP Corning Tower, Room 2739
Albany, New York 12237-0016

OPTION #2: Enter into a repayment agreement with the OMIG to have the overpayments applied against your future Medicaid payments. If the process of establishing the repayment agreement exceeds 20 days from the date of the final audit report, the OMIG will impose a 15% withhold after 20 days until the agreement is established. The OMIG may require financial information from you to establish the terms of the repayment agreement. If additional information is requested, the OMIG must receive the information within 30 days of the request or a 50% withhold will be imposed. OMIG acceptance of the repayment agreement is based on your repaying the Medicaid overpayment as agreed. The OMIG will adjust the rate of recovery, or require payment in full, if your unpaid balance is not being repaid as agreed. The OMIG will notify you no later than 5 days after initiating such action. If you wish to enter into a repayment agreement, you must forward your written request within 20 days to the following:

Bureau of Collections Management
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, New York 12204

If within 20 days you fail to make full payment or contact the OMIG to make repayment arrangements, the OMIG will establish a withhold equal to 50% of your Medicaid billings to secure payment and liquidate overpayment amount, interest and/or penalty, not barring any other remedy allowed by law. The OMIG will provide notice to you no later than 5 days after the withholding of any funds.

In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against the amount owed.

HEARING RIGHTS

The Plan has the right to challenge this action and determination by requesting an administrative hearing within sixty (60) days of the date of this notice. In accordance with 18 NYCRR Section 519.18(a), "The issues and documentation considered at the hearing are limited to issues directly relating to the final determination. An appellant may not raise issues regarding the methodology used to determine any rate of payment or fee, nor raise any new matter not considered by the department upon submission of objections to a draft audit or notice of proposed agency action."

If the Plan wishes to request a hearing, the request must be submitted in writing within sixty (60) days of the date of this notice to:

General Counsel
Office of Counsel
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, New York 12204

At the hearing you have the right to:

a) Be represented by an attorney or other representative, or to represent yourself;
b) Present witnesses and written and/or oral evidence to explain why the action taken is wrong;
c) Cross examine witnesses of the DOH and/or the OMIG; and
d) Have an interpreter if you do not speak English or are deaf.

Questions regarding the request for a hearing should be directed to [redacted], Office of Counsel, at [redacted]

If you have any questions regarding the audit, please contact [redacted] at [redacted] or via e-mail at [redacted]

Sincerely,

[redacted]

Bureau of Managed Care Audit & Provider Review
Office of the Medicaid Inspector General

Enclosures (2)
Attachments

CERTIFIED MAIL #[redacted]
RETURN RECEIPT REQUESTED

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

[redacted]

SCHC Total Care, Inc.
819 Salina Street
Syracuse, New York 13202

AMOUNT DUE: $1,002.54

PROVIDER # [redacted]

AUDIT # 12-5436

PROVIDER TYPE

- ☐ **Fee For Service**
- ☐ **Rate - LTC**
- ☐ **Rate - NH**
- ☒ **Managed Care**
- ☐ **Other**

CHECKLIST

1. **To ensure proper credit, please enclose this form with your check.**
2. **Make checks payable to:** ***New York State Department of Health***
3. **Record the Audit Number on your check.**
4. **Mail check to:**

[redacted]

New York State Department of Health
Medicaid Financial Management, B.A.M.
GNARESP Corning Tower, Room 2739
Albany, New York 12237-0016

Thank you for your cooperation.