

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Roberts/Snyder</i>	DATE <i>12-31-13</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000216</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Keck, Kask, Hutto</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>1-10-14</i>
<i>cleared 1/23/14, letter attached</i>	<input type="checkbox"/> FOIA DATE DUE _____
	<input type="checkbox"/> Necessary Action

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			
4.			

Brenda James

From: Jan Polatty
Sent: Friday, December 20, 2013 11:41 AM
To: Brenda James
Subject: please log this to Roberts/Snider - cc: keck/kost/hutto FW: Draft Report A-04-11-06145
Attachments: AccellionRequirements.doc; Instructions to DOWNLOAD File(s) Sent by HHS OIG via the HHS OIG Delivery Server[1].pdf
Importance: High

Thanks!

RECEIVED

DEC 20 2013

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Jan Polatty
Administrative Coordinator II
POLATTYJ@scdhhs.gov
803.898.2504
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Columbia, SC - 29201
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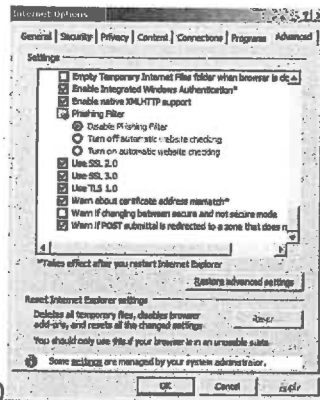
From: Zyga, Elizabeth C (OIG/OAS) [<mailto:Elizabeth.Zyga@oig.hhs.gov>]
Sent: Friday, December 20, 2013 11:13 AM
To: Anthony Keck; Jan Polatty; Byron Roberts
Cc: Kathleen Snider; Funtal, Andrew A (OIG/OAS); Woodard, Nivee K (OIG/OAS); Shearer, James M (OIG/OAS)
Subject: Draft Report A-04-11-06145

I will shortly be sending you the draft report entitled *South Carolina Paid Hospitals for Some Inpatient Hospital Services That Medicare Paid* using our delivery server. If you have never used this server before, you will need to register. I have attached a couple of documents which will help you with this process. Should you need further assistance, please note item #5 in the PDF which contains a link to our helpdesk.

Thank you

Elizabeth C. Zyga
Program Support Specialist
US Department of Health and Human Services
Office of the Inspector General
61 Forsyth St., SW, Suite 3T41
Atlanta, GA 30303

Accellion requirements:



- enable Use TLS 1.0
- enable Use SSL 2.0
- enable Use SSL 3.0
- Internet Explorer 7 or higher
- Java 1.4 or higher (if you see a warning about Java version mismatch, check what IE is looking at and what is actually running. Reinstall if necessary.)

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4. First time users of the HHS/OIG Delivery Server must register and provide your e-mail address as a unique identifier for you as the intended recipient.
 - a. Enter your e-mail address and select **Submit**.
 - b. You will receive a second e-mail with a verification code. Copy and paste the verification code into the appropriate box.
 - c. Create a password that you will remember using the criteria listed on the page. You will need this to receive future files sent to you via the HHS/OIG Delivery Server. Re-enter the password.



HHS/OIG Delivery Server

A screenshot of the HHS/OIG Delivery Server web interface. The page has a dark header bar. Below the header, the text reads: "Welcome to HHS/OIG Delivery Server!". A message states: "daniel.kimmons@oig.hhs.gov has sent you attachments via HHS/OIG Delivery Server. In a moment you will be able to retrieve attachments at your convenience." Under the heading "First time users: You must register and provide the following profile information:", there are two bullet points: "• your e-mail address as a unique identifier for you as the intended recipient" and "• a password to protect your profile". Below this, a message for "Registered users" says: "Your session expired and was closed for security purposes -- please re-login." There is a form field labeled "Your E-mail Address:" followed by a "Submit" button. Below the form, instructions read: "Enter your e-mail address in the field above and click Submit to start the process." At the bottom, a link says: "If you would like to change your password, please click here to login." The page footer includes the text "Accellion File Transfer" and a small logo.

5. Select **Save** and navigate to the location where you want to save the file. If multiple files are received, repeat until all files are saved. If saving all files to the same location you can select **Download All**.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

K. J. Snider
RECEIVED

JAN - 6 2014

SCDHHS
Office of General Counsel

TO	DATE
<i>Roberts/Snider</i>	<i>12-31-13</i>

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Program Support Specialist

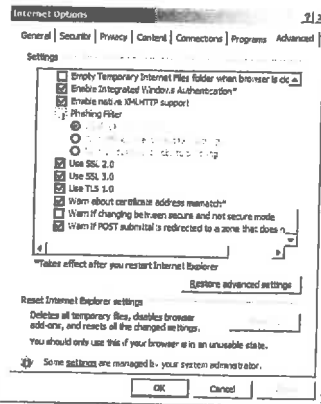
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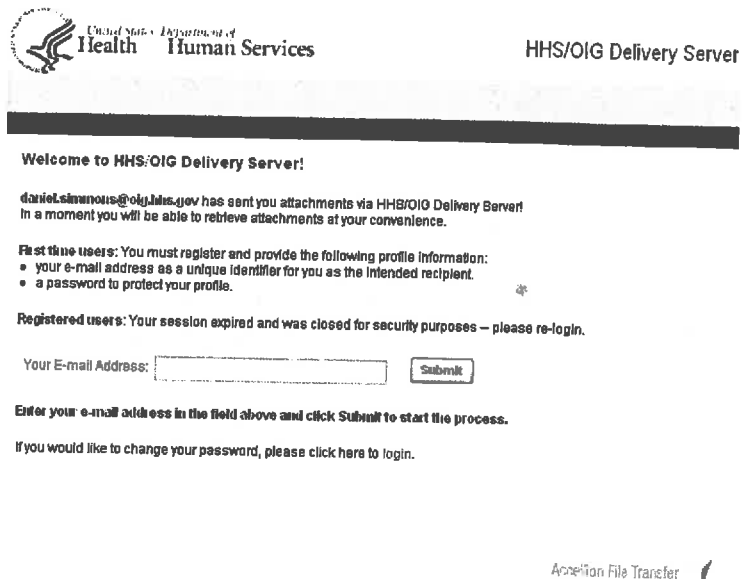
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U.S. Department of Health and Human Services

HHS/OIG Delivery Server

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- a password to protect your profile.

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Your E-mail Address:

Enter your e-mail address in the field above and click Submit to start the process.

If you would like to change your password, please click here to login.

Attachment File Transfer

Log # 2/16



Nikki Haley GOVERNOR
Anthony Keck DIRECTOR
P.O. Box 8206 - Columbia, SC 29202
www.scdhhs.gov

January 23, 2014

Lori S. Pilcher
Regional Inspector General
Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3t41
Atlanta, Georgia 30303

RE: OIG Report Number: A-04-11-06145

Dear Ms. Pilcher:

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft report titled *South Carolina Paid Hospitals for Some Inpatient Hospital Services That Medicare Paid*, involving duplicate Medicaid payments to inpatient hospitals where Medicare had already made a payment on the claim. The South Carolina Department of Health and Human Services (SCDHHS) agrees with your determination of the overpayments caused by this situation; however, since the completion of your audit work, we have identified additional refunds which have reduced the amount of the overpayments still outstanding. In addition, we do not agree that the overpayments were "due to the State's lack of system edits to detect erroneous or incorrect hospital entries in their payment system."

This audit was initiated by the OIG in September 2011. After assisting the OIG in validating the information in a sample of the claims under review, we were provided a listing of claims with dates of service from January 1, 2007, through December 31, 2009, where the OIG had identified Medicare as the primary payer, yet had also identified a payment made for the same claim by the South Carolina Medicaid program. Of the 1,136 claims with duplicate Medicare - Medicaid payments, we found that hospitals had refunded the overpayment for 532 claims prior to the OIG's audit. The majority of these refunds were the result of a project we initiated with the South Carolina Recovery Audit Contractor (RAC), to identify and recover duplicate Medicaid payments for patients with Medicare and/or commercial health insurance. The rest of the refunds were the result of SCDHHS's "retro-recovery" processes and credit balance audits that are managed by the agency's Third Party Liability (TPL) contractor. It should be noted that the Medicaid data extracts used by the OIG do not show refunds from providers that occur after claim payment is made. SCDHHS worked with the OIG to identify any prior refunds from providers in our audit records from the RAC and the agency's TPL contractor. Since the conclusion of the

OIG's audit work, we have continued to research claim-level history to make sure we have accounted for all the refunds for these overpayments.

The recommendations from the draft report, and our "statements of concurrence or non-concurrence" for each one, are as follows:

Recommendation #1: The State agency should recover \$1,056,782 in Medicaid overpayments.

We concur with that the State should recover the \$1,056,782 in Medicaid overpayments; however, some portion of this amount has already been recovered. Since the discovery of the 532 claim refunds, we have identified another 88 claims that had already been refunded by inpatient hospital providers. We were able to identify these provider repayments within the Medicaid retro-recovery system operated by our TPL contractor. According to our calculations, therefore, the final overpayment amount for the claims in question is \$860,277.58. However, in order to confirm this, we also will have to obtain detailed information from the OIG audit staff regarding the original estimated overpayment amounts. We also will provide detailed spreadsheets to the audit staff to document our findings.

Recommendation #2: The State agency should refund \$797,680 to the Federal Government.

We concur that the State should refund the federal portion \$797,680 of the identified overpayments to the Federal government; again, some portion of this amount has already been recovered. Based on our revised estimate of the overpayments in question, the federal share (using 75% of the total) is estimated to be \$645,208.19.

Recommendation #3: The State agency should correct the system errors that allowed the overpayments to occur.

We do not concur with recommendation #3. We have had policy and system edits in place since 2006 to provide that the SCDHHS payment for dually eligible recipients is equal to the allowed amount minus the Medicare payment or the sum of the Co-insurance, Deductible, and Blood Deductible, whichever is less. We cannot identify any "system errors" that allowed the overpayments to occur. Based on our review, we find that many if not most of the overpayments were caused by erroneous and duplicate information submitted by providers on the claim. The report states that the agency did not require providers to submit a copy of the Medicare EOMB and therefore did not "properly monitor the Medicaid payments when it placed full reliance on the hospital entries on the claims form without automated edits or other procedures to validate their accuracy." Such a broad statement is not accurate, since there are system edits that do ensure proper payment of claims.

Lori S. Pilcher
January 23, 2014
Page 3

While we do not require the submission of EOMBs, to match each inpatient hospital claim for a dually-eligible beneficiary against a Medicare EOMB form would be an extremely cumbersome, manual process. We do not think this is the intent of the OIG's recommendation in this case.

Regardless, we will review the controls currently within our MMIS to ensure wherever possible that any overpayments caused by a lack of appropriate edits will not re-occur. However, SCDHHS is in the beginning stages of developing a replacement MMIS, and major system changes to our 30 year old legacy system may not be feasible at this time. SCDHHS also will continue to use post-payments audits conducted by the RAC as well as other means to monitor inpatient hospital claims for duplicate Medicare-Medicaid payments.

Once the final amount of the overpayment is established, we will immediately begin the process to recover these funds from the hospitals involved, and will use the assistance of the South Carolina RAC to help verify and collect these overpayments. We will comply with federal requirements to properly remit the federal share to CMS based on the federal financial participation rate applicable during the dates of service for the claims.

Again, thank you the opportunity to respond to the draft audit report. I look forward to working with the OIG Office of Audit Services staff to finalize the results of this audit. Please do not hesitate to call me at 803-898-1050 if you have any questions at this time.

Sincerely,



Kathleen C. Snider, Bureau Chief
Compliance and Performance Review

KCS:m

cc: Byron Roberts, General Counsel, SCDHHS
John Supra, CIO, SCDHHS