



FLORIDA DEPARTMENT OF HEALTH
OFFICE OF INSPECTOR GENERAL

COLLECTION OF INTEREST ON
MEDICAID HMO CLAIMS REIMBURSEMENT

Report # R-1516DOH-010 • February 17, 2016

PURPOSE OF THIS PROJECT

Review the Department of Health's (Department) efforts regarding whether:

- County health departments (CHDs) collected interest from contracted and subcontracted Medicaid Health Maintenance Organizations (HMOs) on reimbursement of claims past the allowed timeframe.
- Interest amounts were accurately calculated and recorded.

WHAT WAS EVALUATED

An analysis of paid claims data from the *Health Management System* (HMS) took place where CHDs filed claims with Medicaid HMOs for the period November 1, 2014 through August 31, 2015. This included 6,620 paid paper claims and 1,263 paid electronic claims. Also reviewed were selected contracts that CHDs have entered into with the Medicaid HMOs.

SUMMARY OF RESULTS

CHDs were still processing a large number of paper claims compared to electronic claims. In addition, it was not possible to determine whether interest amounts were accurately calculated and recorded due to insufficient data.

Management should address two identified issues:

- **Medicaid HMOs generally did not include interest with reimbursement of past due claims. A total of \$23,794 in interest was not included on claims reimbursed to CHDs from November 2014 through August 2015.**
- **Department policy did not cite Chapter 641 Part I, *Florida Statutes (F.S.)*, which authorizes HMOs and stipulates different requirements from those of other insurance carriers.**

Additional details follow below. Final reports also include management's response in Appendix A.

BACKGROUND

Chapter 641, Part I, *F.S.*, authorizes and governs all HMOs in the State of Florida. Medicaid HMOs are designations given to those HMOs that provide insured coverage for Medicaid clients. As part of Medicaid reform, the Department has increasingly contracted and subcontracted with Medicaid HMOs in order to bill for the services CHDs provide to Medicaid clients, specifically medical and dental services. When this occurs, CHDs charge and collect fees in accordance with Florida law, rule, or resolution of the local board of county commissioners.

All HMOs are responsible for the prompt payment of claims, including interest of 12% on any past due claims. Section 641.3155, *F.S.*, requires paper claims to be paid or denied within 120 days after receipt of the claim and electronic claims to be paid or denied within 90 days after receipt of the claim.

Staff at some CHDs voiced concern that reimbursement of past due claims by Medicaid HMOs did not include interest and thus CHDs were not collecting required revenues.

DETAILED RESULTS AND RECOMMENDATIONS

Management should address the following identified issues:

1. Medicaid HMOs generally did not include interest with reimbursement of past due claims.

- For the period November 1, 2014 through August 31, 2015, 6,254 paper claims and 1,245 electronic claims filed by CHDs were reimbursed by Medicaid HMOs beyond the allowable time frames established by statute and the amount received was no more than the amount allowed to be paid by the insurance carrier. We found no evidence suggesting these paid claims included interest for late payment.
- This represented 94.5% of all past due reimbursements for paper claims and 98.6% of all past due reimbursements for electronic claims during the review period.
- Based upon a calculation of 12% simple interest for the number of days each claim was past due, a total of \$23,794 interest was not collected (\$21,717 of interest on paper claims and \$2,077 of interest on electronic claims) during the review period.
- There is no statutory requirement for CHD staff to seek interest on past due claims reimbursement. Section 641.3155(6), *F.S.*, stipulates that “[t]he interest is payable with the payment of the claim.” Therefore, the responsibility rests with the HMO to include applicable interest with payment of the claim. Furthermore, most CHDs do not have the resources necessary to pursue collection of unpaid interest on these claims.
- Paper claims accounted for a larger number (6,254 versus 1,245) and larger amount (\$21,717 versus \$2,077) than electronic claims linked to late reimbursement payments failing to include interest during the review period. Department management suggested increased efforts to promote electronic claim filing over paper claim filing could help reduce late payment issues.

We recommend the Deputy Secretary for County Health Systems assist CHDs to improve billing efforts with Medicaid HMOs by encouraging more electronically filed claims with Medicaid HMOs.

2. Department policy did not cite Chapter 641 Part I, F.S., which authorizes HMOs and stipulates different requirements from those of other Insurance carriers.

- DOHP 56-66-13, *Accounts Receivable*, (Policy) did not cite Chapter 641 Part I, *F.S.*, that authorizes HMOs.
- The Policy collectively defines a “Third Party” as, “a commercial insurance carrier or...[HMO]”, but all HMOs have some unique requirements different from those of other Insurance carriers.
- The Policy further explains that if a third-party insurance company fails to remit payment within 120 days of a CHD submitting a clean claim, the CHD is to “charge the third-party insurance a past due fee at an annual rate of 10 percent simple interest.” Department staff could interpret that CHD staff are to perform a subsequent follow-up process. This also references section 627.613(6), *F.S.*, as the authorization.
- However, Section 641.3155(6), *F.S.*, requires that for all HMOs, “[a]n overdue payment of a claim bears simple interest of 12 percent per year” and “[t]he interest is payable with the payment of the claim.”

We recommend the Bureau of Finance & Accounting revise language that includes and agrees with Chapter 641, Part I, F.S., in its next revision to DOHP 56-66, Accounts Receivable. The Bureau should also develop interim guidance until the Bureau updates its policy.

SUPPLEMENTAL INFORMATION

Section 20.055, F.S., charges the Department's Office of Inspector General with responsibility to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in government.

Mark H. Boehmer, CPA, Senior Management Analyst II, conducted the review under the supervision of Michael J. Bennett, CIA, Director of Auditing.

Our methodology included interviewing management and staff at Central Office; reviewing applicable laws, rules, policies and procedures; analyzing data maintained in HMS; and reviewing selected contracts CHDs entered into with Medicaid HMOs.

This project was not an audit, as we did not apply industry-established auditing standards. We used Internal Audit Unit procedures for the performance of reviews during this project.

We want to thank management and staff in the Office of Information Technology, particularly the Bureau of Clinic Management and Informatics for the data provided and for their cooperation throughout the review. We also want to staff at the CHDs for providing the contracts for review.

Copies of all final reports are available on our website at www.floridahealth.gov (search: internal audit). If you have questions or comments, please contact us by the following means:

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APPENDIX A: MANAGEMENT RESPONSE

| | Recommendation | Management Response |
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| 1 | We recommend the Deputy Secretary for County Health Systems assist CHDs to improve billing efforts with Medicaid HMOs by encouraging more electronically filed claims with Medicaid HMOs. | <p>We concur.</p> <p>County Health Systems, through their monthly billing hub calls, and in collaboration with the Bureau of Informatics through their HMS billing special interest group calls, will continue to troubleshoot barriers to electronic claims for CHDs. Further, County Health Systems will continue to run reports on a reoccurring basis to monitor electronic versus paper claim utilization.</p> <p><i>Contact:</i> Beth A. Paterniti, Statewide Services Administrator <i>Completed</i></p> |
| 2 | We recommend the Bureau of Finance & Accounting revise language that includes and agrees with Chapter 641, Part 1, F.S., in its next revision to DOHP 56-66, Accounts Receivable. The Bureau should also develop interim guidance until the Bureau updates its policy. | <p>We concur.</p> <p>We will revise DOHP 56-66, Accounts Receivable, to agree with Chapter 641, Part 1, F.S. We will in the interim, update CHD Business Managers during a conference call and with a written memo.</p> <p><i>Contact:</i> BaTina Slater <i>Anticipated Completion Date:</i> February 22, 2016</p> |