



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF COMMUNITY HEALTH

JAMES K. HAVEMAN  
DIRECTOR

March 25, 2014

Mr. Doug Ringler  
Office of Internal Audit Services  
Office of the State Budget  
George W. Romney Building  
111 South Capitol, 6<sup>th</sup> Floor  
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached are the preliminary summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's Performance Audit of the Medical Services Administration, Practitioner Fee-For-Service Reimbursement.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 373-1508 or Myersp3@michigan.gov.

Sincerely,

Signature Redacted

Pam Myers, Director  
DCH Office of Audit

Enclosure

Cc: Office of the Auditor General  
House Fiscal Agency  
Senate Fiscal Agency  
Executive Office  
DCH, James K. Haveman  
DCH, Timothy Becker  
DCH, Karla Ruest

House Appropriations Committee  
House Standing Committee  
Senate Appropriations Committee  
Senate Standing Committee  
DCH, Nick Lyon  
DCH, Steve Fitton

PERFORMANCE AUDIT OF MEDICAID PRACTITIONER  
FEE-FOR-SERVICE REIMBURSEMENT

DEPARTMENT OF COMMUNITY HEALTH

MARCH 18, 2014

AUDIT RESPONSE

Approved: Timothy J. Becker  
Timothy Becker, Senior Deputy Director  
Department of Community Health, Operations Administration

Date: 03-18-2014



## AUDIT REPORT SUMMARY

DEPARTMENT: Community Health  
AUDIT PERIOD: October 1, 2010 through June 30, 2013  
REPORT DATED: December 18, 2013

### DISPOSITION OF AUDIT RECOMMENDATIONS

<u>CITATIONS COMPLIED WITH</u>	<u>CITATIONS TO BE COMPLIED WITH</u>	<u>CITATIONS DCH DID NOT AGREE WITH</u>
	Finding 1	
	Finding 2	
Finding 3		
	Finding 4	
	Finding 5	

**Audit Response  
Performance Audit  
MEDICAID Practitioner FFS  
Department of Community Health  
October 1, 2010 through June 30, 2013**

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**Recommendation 1:      Place of Service Edit**

The OAG recommended that DCH implement an edit in CHAMPS to ensure proper payment of global services, physician administered injectable drugs and biologicals, and technical services based on place of service.

**Response:**

DCH has identified and developed a timeline for completing the "Place of Service Code" and "Procedure Code" associations. The structure of this new edit is still being developed in conjunction with Reference and Policy areas. Once developed this new edit is expected to ensure appropriate place of service editing.

DCH anticipates completion by December 31, 2014.

**Recommendation 2:      Claims Paid for Beneficiaries Enrolled in a Medicaid Health Plan**

The OAG recommended that DCH properly establish a control to ensure denial or recovery of practitioner fee-for-service claims for beneficiaries enrolled in an MHP.

**Response:**

DCH reviewed the improperly paid claims cited in the finding and determined they were for vaccine codes that were inappropriately "carved-out" of the covered MHP capitation services. These vaccine codes have been added back into the covered MHP capitation services and will no longer be paid as a fee-for-service claim.

The Managed Care Division, Program Policy Division, and Medicaid Claims Section will meet to develop policy changes and business processes for future re-enrollments and post-payment fee-for-service recoveries.

DCH anticipates completion by December 31, 2014.

**Recommendation 3:      Incoming Claim Adjustment Reason Codes**

The OAG recommended that DCH properly establish the incoming claim adjustment reason codes within the edit in CHAMPS to ensure proper denial of claims.

**Response:**

DCH analyzed the claims cited in the finding and performed adjustments in October 2013 on the claims that should have been denied. Additionally, DCH has now established an incoming claim adjustment reason codes edit within CHAMPS to ensure proper denial of claims in the future.

**Audit Response  
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**Recommendation 4:      Duplicate Payments**

The OAG recommended that DCH prevent, detect, and recover duplicate practitioner payments.

**Response:**

DCH has identified the issues causing the duplicate payments and has requested enhancements to the CHAMPS system that will resolve these issues. The enhancements will be included with the next available CHAMPS release. Identified duplicate claims will be processed for recovery after the edit changes are implemented.

DCH anticipates compliance by December 31, 2014.

**Recommendation 5:      Multiple Medicaid Identification Numbers**

The OAG recommended that DCH implement internal control to prevent and detect payments made on behalf of beneficiaries that were assigned more than one Medicaid identification number.

**Response:**

In March 2013, DHS implemented additional monitoring procedures to identify and correct duplicate records. DCH will also develop a query to pull data from the data warehouse with the intent of identifying duplicate IDs. The resulting query data will be used in coordination with duplicate information discovered via problem resolution activities to investigate the source, cause and circumstance of the duplicate ID and aid work with the DHS to resolve the issue. We will explore the findings discovered through this process to consider the development of additional preventative procedures.

DCH anticipates compliance by May 1, 2014.