



8.21.12 #20



TO: The Honorable Chairman and Board of County Commissioners

THROUGH: Robert S. LaSala  
Pinellas County Administrator 

FROM: Gwendolyn C. Warren  
Bureau Director, Health and Human Services  CA

SUBJECT: Medicaid Retrospective Payment Recommendation

DATE: August 17, 2012

On March 9, 2012, as part of the state's budgeting process, the Florida Legislature passed House Bill 5301, An Act Relating to Medicaid Services, which was signed into law on March 29<sup>th</sup>.

#### **Impact of Changes to County Medicaid Contributions**

Prior to the new law, the state billed counties for individuals enrolled in Medicaid that utilized hospital or nursing home facilities within each county. The process allowed counties to audit the invoices before paying their monthly bills to ensure that they were only paying for claims belonging to their residents. Historically, Pinellas County questioned approximately 20% of invoices billed by the state. Most of these questions related to individuals without a valid address in the state Medicaid database. In Fiscal Year 2011, the state began billing counties for retrospective unpaid claims.

The new law revises the methodology for determining a county's eligible recipients for county's share of Medicaid contributions and revises the methodology for collecting those payments in the future as well as for any outstanding retrospective bills. The state will deduct funds directly from counties' revenue share or half cent sales tax *before* a county can audit the monthly bill. In addition, if residency cannot be established through the state Medicaid database, then the county where the hospital or nursing home is located will be billed for the service. The state anticipates recovering 85% of backlogged unpaid bills via revenue sharing or sales tax withholdings. The changes reverse the burden of proof from the state to the counties, requiring counties to prove that a person is not a county resident in order to dispute an amount on a bill.

In addition to the law, two companion rules were proposed by the Florida Agency on Health Care Administration (AHCA) to assist with determining and collecting counties' share of retrospective and prospective Medicaid bills and defining residency for purposes of Medicaid billing. In regards to retrospective billing, Rule 59G-1.025:

- Provides for certification of back billing amount to the counties by August 1, 2012.
- Requires counties to notify AHCA of its decision to accept or challenge that amount by September 1, 2012.
- Provides for certification to the Florida Department of Revenue of the amount of county revenue sharing to be withheld on September 15, 2012

### **Pinellas County Action Plan**

The Agency for Health Care Administration prepared the initial backlog of invoices for the period November 1, 2001 through April 30, 2012. On May 3<sup>rd</sup>, a database of these detailed charges comprising this initial backlog was transmitted to Pinellas County. The total outstanding amount owed by Pinellas County was determined to be \$33,129,310.

The County embarked on a three-pronged approach to address the systemic problems with the new law. The Board of County Commissioners discussed the implications of the legislation with fellow policymakers and actively joined the Florida Association of Counties in their opposition of the bill. The Department of Health and Human Services staff and the county's legislative team participated in various meetings and phone calls with AHCA, worked with the other Florida counties to seek a legislative solution to the law and testified at a Medicaid rule hearing to express our concerns on the record. The County Attorney's Office worked with staff to gather data to prepare Pinellas County to join 54 other Florida counties and the Florida Association of Counties in litigation to overturn the legislation.

In July, the County Administrator added a fourth prong to the County's approach when he approved the initiation of our own review process of the charges on the initial Medicaid retrospective bill. The County engaged LexisNexis to provide research of publicly available databases and a customized searchable, electronic report. The Department of Health and Human Services currently uses a LexisNexis product, ACCURINT, to assist with residential research and client eligibility verification and LexisNexis had been recently awarded a contract with the state of Florida to assist them with eligibility verification for newly enrolled Medicaid clients. The Department was able to use its long-standing relationship with LexisNexis to arrange for a free trial of their services in exchange for assistance in developing a processing routine and custom report of the processing results. LexisNexis researched various databases that included unique identifying information in order to provide the best possible match for the bills. They also developed a custom report of the research results to assist our efforts of either validating or disputing the individual Medicaid certified backlog charges based on county residency. Throughout our data validation process, other counties contacted the Pinellas County Department of Health and Human Services to inquire about the processing routine and subsequently contracted with LexisNexis to assist them with their Medicaid backlog.

Facing increasing pressure from the counties, the Florida Agency for Health Care Administration began to review the individual county Medicaid retrospective bills. The review process revealed significant deficiencies in the State's billing process and validated many reasons that counties had been denying payment of Medicaid charges all along. Even after months of re-verifications and corrections of charges by AHCA staff, almost half of the original backlog of invoices needed to be adjusted off of the county bills because the charges could not be substantiated.

On August 1<sup>st</sup>, the Agency for Health Care Administration certified a backlog of charges totaling \$17,863,545.05 to Pinellas County for the period November 1, 2001 through April 30, 2012. This total represents a 46% reduction from the initial backlog total of \$33,129,310. Shortly after receiving the County's certified backlog amount, the Department began a new review of the claims. The results from the original LexisNexis report were combined with research by Health and Human Services staff to further identify questionable charges within the Pinellas County backlog and research those claims using the Florida Department of Children and Families Medicaid database. The Department identified \$2,191,340 in inaccurate hospital and nursing home claims including \$1,223,340 million in claims for clients who resided in other Florida counties at the time of their hospitalization; \$573,000 in claims for foster children; \$8,000 in charges for youth in the juvenile

Justice Center; \$17,000 in charges related to the Ronald McDonald House; \$341,000 in nursing home charges where there was no address on file; and \$29,000 in claims where the address listed in the Department of Children and Families database was listed as a city outside of Pinellas County.

Health and Human Services staff contacted AHCA to request the removal of these charges from the county's certified amount. While the Agency could not change the certified amount with the Department of Revenue, they agreed to assign staff to review our documentation and in an effort to carry out the Governor's pledge of ensuring that any county billings are accurate and valid, agreed to credit Pinellas County for any charges that are found to be inaccurate. If AHCA accepts our disputed charges, the County could receive up to \$2,191,340 in credits towards future Medicaid backlog payments. Listed below is a summary of the Department's "questionable" charges from our backlog Medicaid bill.

#### **Hospital Claim Denials (rounded)**

<b>Denial Reason</b>	<b>Value of Claims</b>	<b>No. of Claims</b>
Address not in County	\$1,147,140	881
Foster Child	\$570,000	327
Juvenile Justice Center	\$8,000	7
Ronald McDonald House	\$17,000	6
<b>Total</b>	<b>\$1,742,140</b>	<b>1,221</b>

#### **Nursing Home Claim Denials (rounded)**

<b>Denial Reason</b>	<b>Value of Claims</b>	<b>No. of Claims</b>
Address is incomplete	\$341,000	6,769
Address not in County	\$76,200	1,406
DCF Address out of County	\$29,000	539
Foster Child	\$3,000	57
<b>Total</b>	<b>\$449,200</b>	<b>8771</b>

#### **Retrospective Bill Payment Options**

Counties have until September 1<sup>st</sup> to challenge their certified Medicaid backlog amount. If counties choose to challenge their backlog amount, AHCA will certify 100% of their backlog amount to the Department of Revenue on September 15<sup>th</sup> and payments on the certified backlog amount will begin to be deducted from a county's state revenue sharing in late October. If a county chooses **not** to challenge the certified backlog amount, the state is offering a 15% discount on their certified backlog amount. AHCA will certify 85% of their backlog to the Department of Revenue on September 15<sup>th</sup> and county state revenue sharing deductions will begin in late October.

As of the date of this letter, a 15% reduction to Pinellas County's final August 1<sup>st</sup> certified backlog amount of \$17,863,545 would result in \$2,679,532 in savings to the county and a final Medicaid backlog bill of \$15,184,013. If the Florida Agency on Health Care Administration accepts our disputed claims of \$2,191,340, our future Medicaid backlog payments could be credited up to that amount. This could make the county's final Medicaid backlog amount \$12,992,673.

**Option #1:**

Dispute the Certified Backlog Amount	
Certified Backlog Amount:	\$17,863,545.05
0% Savings from Disputing the Certified Backlog:	(50)
Final Certified Amount to Department of Revenue:	\$17,863,545.05

**Impacts of Option #1:**

- The County will have to pay the entire amount of the certified backlog.
- The County will lose the ability to request future credits on "questionable" charges.
- The County will forfeit the 15% savings offered by the state.

**Option #2:**

Accept the Certified Backlog Amount	
Certified Backlog Amount:	\$17,863,545.05
15% Savings from Accepting the Certified Backlog:	(\$2,679,531.75)
Final Certified Amount to Department of Revenue:	\$15,184,013.30

**Impacts of Option #2:**

- The 15% savings of \$2,679,531.75 is \$488,192 more than the amount of "questionable" claims our staff identified (\$2,191,340).
- The County can continue to work with the state on future credits against our final certified amount. This could potentially reduce future withhold amounts from the state up to \$2,191,340.
- Together, the 15% savings offered by the state for accepting the certified backlog and the future credits against our backlog could save Pinellas County up to \$4.8 million from the certified backlog amount of \$17,863,545.

**Recommendation**

The Department of Health and Human Services believes that the efforts of the Board of County Commissioners, County Administration, the County Attorney, and Department staff have resulted in a significant reduction in our Medicaid backlog. We appreciate the dedication and support the County showed the Department in our efforts to adjust our Medicaid backlog amount to an accurate and valid amount. At this time, the Department believes that it would be in the best interest of the County to accept the certified Medicaid backlog amount and receive the 15% reduction. By accepting the certified amount, we can save an additional \$488,192 over charges we believe were erroneously charged to us. Several unknowns still remain, however – including the likelihood of the state accepting our "questionable" charges and providing us future credits against our backlog and future increases in the Medicaid Base Rate, which are beyond our control. Due to these uncertainties, the Department further recommends that the proposed millage rate increase be left unchanged at this time. The Department of Health and Human Services will continue to work closely with the Florida Agency on Health Care Administration to discuss the \$2,191,340 of

"questionable" charges that were identified in an effort to receive future credits against our Medicaid backlog payments. If accepted, these credits, combined with the 15% savings for accepting the certified backlog amount, could result in a total reduction of \$4.8 million from our August 1<sup>st</sup> certified backlog amount. In addition, the Department recommends that we keep in place the Medicaid bill review process that was implemented this past summer to ensure that all future Medicaid bills are valid and accurate. It is our hope that we can reach a resolution with the state to reduce our final Medicaid backlog to the smallest and fairest amount possible and ensure an accurate Medicaid billing process in the future.