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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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HUMAN RESOURCES  
DIVISION

October 27, 1978

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Mr. Robert A. Derzon, Administrator  
Health Care Financing Administration  
Department of Health, Education,  
and Welfare  
Washington, D.C. 20201

Dear Mr. Derzon:

We currently are conducting a survey of New York's and Georgia's systems for recovering overpayments made to Medicaid providers and for returning to the Federal government its share of the recovered funds.

While performing the survey in New York, we learned that one State office responsible for collecting overpayments from Medicaid providers is the Office of Special Prosecutor. This office, which HEW certified under Public Law 95-142 for 90 percent Federal financial participation, has over 400 professional employees (auditors, investigators, and attorneys) and about 140 clerical and support staff involved in collecting overpayments and prosecuting providers who defraud the program.

The first Medicaid overpayments collected by the Special Prosecutor's Office were in February 1976 and as of September 30, 1978, \$3.8 million had been collected. Interest earned as of September 30, 1978, on these collected funds was \$301,187 resulting in a total fund balance of \$4.1 million as shown by the appendix to this letter.

All of the collected funds are deposited and retained in a special, interest bearing account controlled by the State Comptroller's Office. None of the funds have been returned to the Federal government, even though it pays approximately 50 percent of New York's Medicaid expenditures--the remaining 50 percent is shared one half by the State and one half by 58 local governments (New York City and 57 counties).

According to State Medicaid officials, return of the Federal share of these funds has been delayed because State and local officials have been unable to agree among themselves on a formula for distributing to each local government its proportionate share of the recovered funds. State officials agree with us, however, that this problem would not prohibit the State from determining and returning the Federal government's share.

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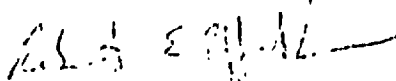
An HCFA region II Medicaid representative told us that the region became aware in about May 1977 that the Federal share of these funds had not been returned. He said that several inquiries about this matter have been made since that date and that he was informed on each occasion that the State was working on resolving the matter. He said that after we discussed the matter with State officials, he was advised that the return of the Federal share would be adjusted on the Statement of Expenditures for the Medical Assistance Program (OA-41) for the quarter ended September 30, 1978. During our discussions with them, State officials told us also that the appropriate adjustment would be made on their September 30, 1978, expenditure report.

Because of the continued delay by the State to return the Federal share of these funds, we recommend that you require that

- the appropriate adjustment or recoupment is made for the collected funds, including interest, on the September 30, 1978, Statement of Expenditures and
- the Federal government be given timely credit for its share of future collections.

We would appreciate your advising us within the next 30 days of any actions taken or planned regarding this matter.

Sincerely yours,

  
Robert E. Iffert, Jr.  
Assistant Director

SCHEDULE OF OFFICE OF SPECIAL PROSECUTOR  
OVERPAYMENT COLLECTIONS AND INTEREST EARNINGS

Collection Summary

| <u>Period</u>  | <u>Monthly<br/>collections</u> | <u>Cumulative<br/>balance</u> |
|----------------|--------------------------------|-------------------------------|
| February 1976  | \$27,066.00                    | \$27,066.00                   |
| March 1976     | -                              | 237,066.00                    |
| April 1976     | -                              | 237,066.00                    |
| May 1976       | 500.00                         | 237,566.00                    |
| June 1976      | -                              | 237,566.00                    |
| July 1976      | 7,500.00                       | 245,066.00                    |
| August 1976    | -                              | 245,066.00                    |
| September 1976 | 36,188.00                      | 281,254.00                    |
| October 1976   | 124,505.17                     | 405,759.17                    |
| November 1976  | 478,661.69                     | 884,420.86                    |
| December 1976  | 73,000.00                      | 957,420.86                    |
| January 1977   | 10,200.00                      | 967,620.86                    |
| February 1977  | 185,311.45                     | 1,152,932.31                  |
| March 1977     | 334,000.00                     | 1,486,932.31                  |
| April 1977     | 11,000.00                      | 1,497,932.31                  |
| May 1977       | 120,690.00                     | 1,618,622.31                  |
| June 1977      | 14,081.99                      | 1,632,704.30                  |
| July 1977      | -                              | 1,632,704.30                  |
| August 1977    | 30,303.94                      | 1,663,008.24                  |
| September 1977 | -                              | 1,663,008.24                  |
| October 1977   | 123,150.00                     | 1,786,158.24                  |
| November 1977  | 12,446.27                      | 1,798,604.51                  |
| December 1977  | 64,321.27                      | 1,862,925.78                  |
| January 1978   | 5,755.15                       | 1,868,680.93                  |
| February 1978  | 525,827.50                     | 2,394,508.43                  |
| March 1978     | 53,929.00                      | 2,448,437.43                  |
| April 1978     | 89,437.69                      | 2,537,875.12                  |
| May 1978       | 85,000.00                      | 2,622,875.12                  |
| June 1978      | 203,022.12                     | 2,825,897.24                  |
| July 1978      | 39,231.95                      | 2,865,129.19                  |
| August 1978    | 639,147.95                     | 3,504,277.14                  |
| September 1978 | \$337,349.95                   | \$3,841,627.09                |

