

STATE OF NEW YORK

5329--C

2023-2024 Regular Sessions

IN SENATE

March 2, 2023

Introduced by Sens. HARCKHAM, BORRELLO, FERNANDEZ, GALLIVAN, KENNEDY, MAY, MAYER, SEPULVEDA, WEBB -- read twice and ordered printed, and when printed to be committed to the Committee on Health -- reported favorably from said committee and committed to the Committee on Finance -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- recommitted to the Committee on Health in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- reported favorably from said committee and committed to the Committee on Finance -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the public health law and the social services law, in relation to the functions of the Medicaid inspector general with respect to audit and review of medical assistance program funds and requiring notice of certain investigations

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Section 30-a of the public health law, as added by chapter
2 442 of the laws of 2006, is amended to read as follows:

3 § 30-a. Definitions. For the purposes of this title, the following
4 definitions shall apply:

5 1. "Abuse" means provider practices that are inconsistent with sound
6 fiscal, business or medical practices, and result in an unnecessary cost
7 to the Medicaid program, or in reimbursement for services that are not
8 medically necessary or that fail to meet professionally recognized stan-
9 dards for health care. It also includes beneficiary practices that
10 result in unnecessary cost to the Medicaid program.

11 2. "Creditable allegation of fraud" (a) means an allegation which has
12 been verified by the inspector, from any source, including but not
13 limited to the following:

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[-] is old law to be omitted.

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i. fraud hotlines tips verified by further evidence;
ii. claims data mining; and
iii. patterns identified through provider audits, civil false claims cases, and law enforcement investigations.

(b) allegations are considered to be credible when they have an indicia of reliability and the inspector has reviewed all allegations, facts and evidence carefully and acts judiciously on a case-by-case basis.

3. "Fraud" means an intentional deception or misrepresentation made by a person with the knowledge that the deception or misrepresentation could result in some unauthorized benefit to the person or some other person. It includes any act that constitutes fraud under applicable federal or state law.

4. "Inspector" means the Medicaid inspector general created by this title.

~~[2-]~~ 5. "Investigation" means investigations of fraud, abuse, or illegal acts perpetrated within the medical assistance program, by providers or recipients of medical assistance care, services and supplies.

6. "Medical assistance," "Medicaid," and "recipient" shall have the same meaning as those terms in title eleven of article five of the social services law and shall include any payments to providers under any Medicaid managed care program.

~~[3-]~~ 7. "Office" means the office of the Medicaid inspector general created by this title.

8. "Overpayment" shall mean any amount paid to a provider for medical assistance in excess of the amount allowable for services furnished under section nineteen hundred two of the federal social security act and which is required to be refunded under section nineteen hundred three of such act.

9. "Provider" means any person or entity enrolled as a provider in the medical assistance program.

§ 2. Subdivision 20 of section 32 of the public health law, as added by chapter 442 of the laws of 2006, is amended to read as follows:

20. to, consistent with ~~[provisions of]~~ this title and applicable federal laws, regulations, policies, guidelines and standards, implement and amend, as needed, rules and regulations relating to the prevention, detection, investigation and referral of fraud and abuse within the medical assistance program and the recovery of improperly expended medical assistance program funds;

§ 3. The public health law is amended by adding two new sections 37 and 38 to read as follows:

§ 37. Audit and recovery of medical assistance payments to providers. Any audit or review of any provider contracts, cost reports, claims, bills, or medical assistance payments by the inspector, anyone designated by the inspector or otherwise lawfully authorized to conduct such audit or review, or any other agency with jurisdiction to conduct such audit or review, shall comply with the following standards:

1. Recovery of any overpayment resulting from any audit or review of provider contracts, cost reports, claims, bills, or medical assistance payments shall not commence prior to sixty days after delivery to the provider of a final audit report or final notice of agency action, or where the provider requests a hearing or appeal within sixty days of delivery of the final audit report or final notice of agency action, until a final determination of such hearing or appeal is made.

2. Provider contracts, cost reports, claims, bills or medical assistance payments that were the subject matter of a previous audit or review within the last three years shall not be subject to review or audit

1 again except on the basis of new information, for good cause to believe
2 that the previous review or audit was erroneous, or where the scope of
3 the inspector's review or audit is significantly different from the
4 scope of the previous review or audit.

5 3. Any reviews or audits of provider contracts, cost reports, claims,
6 bills or medical assistance payments shall apply the state laws, regu-
7 lations and the applicable, duly promulgated policies, guidelines, stan-
8 dards, protocols and interpretations of state agencies with jurisdiction
9 and in effect at the time the provider engaged in the applicable regu-
10 lated conduct or provision of services. For the purpose of this subdivi-
11 vision, the state law, regulation or the applicable promulgated agency
12 policy, guideline, standard, protocol or interpretation shall not be
13 deemed in effect if federal governmental approval is pending or denied.
14 The inspector shall publish protocols applicable to and governing any
15 audit or review of a provider or provider contracts, cost reports,
16 claims, bills or medical assistance payments on the office of Medicaid
17 inspector general website.

18 4. (a) In the event of any overpayment based upon a provider's admin-
19 istrative or technical error, the provider shall have the longer of
20 sixty days from notice of the mistake or six years from the date of
21 service to submit a corrected claim provided (i) the error was a genuine
22 error without intent to falsify or defraud, (ii) the provider maintained
23 contemporaneous documentation to substantiate the correct claims infor-
24 mation, (iii) such error is the sole basis for the finding of an over-
25 payment, and (iv) there is no finding of any overpayment for such error
26 by a federal agency or official.

27 (b) No overpayment shall be calculated for any administrative or tech-
28 nical error corrected as required in paragraph (a) of this subdivision.

29 (c) "Administrative or technical error" shall include any error that
30 constitutes either a (i) minor error or omission or (ii) clerical error
31 or omission under the Medicare modernization act or centers for Medicaid
32 and Medicaid service regulations, and shall include human and clerical
33 errors that result in errors as to form or content of a claim.

34 5. (a) In determining the amount of any overpayment to a provider, the
35 inspector shall utilize sampling and extrapolation consistent with the
36 Centers for Medicare and Medicaid services policies as described in the
37 Centers for Medicare and Medicaid program integrity manual.

38 (b) The final audit report or final notice of agency action shall
39 include a statement of the specific factual and legal basis for utiliz-
40 ing extrapolation and the inappropriate use of extrapolation shall be a
41 basis for appeal. This subdivision shall not be construed to limit the
42 recoupment of an overpayment identified without the use of extrapo-
43 lation.

44 (c) Until the provider has waived its right to a hearing, or if a
45 provider requests a hearing, until the hearing determination is issued,
46 the provider shall have the right to pay the lower confidence limit plus
47 applicable interest in fulfillment of this paragraph, the applicable
48 lower confidence limit shall be calculated using at least a ninety
49 percent confidence level.

50 6. (a) The provider shall be provided as part of the draft audit find-
51 ings a detailed written explanation of the extrapolation method
52 employed, including the size of the sample, the sampling methodology,
53 the defined universe of claims, the specific claims included in the
54 sample, the results of the sample, the assumptions made about the accu-
55 racy and reliability of the sample and the level of confidence in the
56 sample results, and the steps undertaken and statistical methodology

1 utilized to calculate the alleged overpayment and any applicable offset
2 based on the sample results. This written information shall include a
3 description of the sampling and extrapolation methodology.

4 (b) The sampling and extrapolation methodologies utilized by the
5 inspector shall be consistent with accepted standards of sound auditing
6 practice and statistical analysis.

7 7. The requirements of this section shall be interpreted consistent
8 with and subject to any applicable federal law, rules and regulations,
9 or binding federal agency guidance and directives. The requirements of
10 this section shall not apply to any investigation by the inspector where
11 there is credible allegations of fraud or where there is a finding that
12 the provider has engaged in deliberate abuse of the medical assistance
13 program.

14 § 38. Procedures, practices and standards for recipients. 1. This
15 section applies to any adjustment or recovery of a medical assistance
16 payment from a recipient, and any investigation or other proceeding
17 relating thereto.

18 2. At least five business days prior to commencement of any interview
19 with a recipient as part of an investigation, the inspector or other
20 investigating entity shall provide the recipient with written notice of
21 the investigation. The notice of the investigation shall set forth the
22 basis for the investigation; the potential for referral for criminal
23 investigation; the individual's right to be accompanied by a relative,
24 friend, advocate or attorney during questioning; contact information for
25 local legal services offices; the individual's right to decline to be
26 interviewed or participate in an interview but terminate the questioning
27 at any time without loss of benefits; and the right to a fair hearing in
28 the event that the investigation results in a determination of incorrect
29 payment.

30 3. Following completion of the investigation and at least thirty days
31 prior to commencing a recovery or adjustment action or requesting volun-
32 tary repayment, the inspector or other investigating entity shall
33 provide the recipient with written notice of the determination of incor-
34 rect payment to be recovered or adjusted. The notice of determination
35 shall identify the evidence relied upon, set forth the factual conclu-
36 sions of the investigation, and explain the recipient's right to request
37 a fair hearing in order to contest the outcome of the investigation. The
38 explanation of the right to a fair hearing shall conform to the require-
39 ments of subdivision twelve of section twenty-two of the social services
40 law and regulations thereunder.

41 4. A fair hearing under section twenty-two of the social services law
42 shall be available to any recipient who receives a notice of determi-
43 nation under subdivision three of this section, regardless of whether
44 the recipient is still enrolled in the medical assistance program.

45 § 4. Paragraph (c) of subdivision 3 of section 363-d of the social
46 services law, as amended by section 4 of part V of chapter 57 of the
47 laws of 2019, is amended and a new subdivision 8 is added to read as
48 follows:

49 (c) In the event that the commissioner of health or the Medicaid
50 inspector general finds that the provider does not have a satisfactory
51 program [~~within ninety days after the effective date of the regulations~~
52 ~~issued pursuant to subdivision four of this section~~], the commissioner
53 or Medicaid inspector general shall so notify the provider, including
54 specification of the basis of the finding sufficient to enable the
55 provider to adopt a satisfactory compliance program. The provider shall
56 submit to the commissioner or Medicaid inspector general a proposed

1 satisfactory compliance program within sixty days of the notice and
2 shall adopt the program as expeditiously as possible. If the provider
3 does not propose and adopt a satisfactory program in such time period,
4 the provider may be subject to any sanctions or penalties permitted by
5 federal or state laws and regulations, including revocation of the
6 provider's agreement to participate in the medical assistance program.

7 8. Any regulation, determination or finding of the commissioner or the
8 Medicaid inspector general relating to a compliance program under this
9 section shall be subject to and consistent with subdivision three of
10 this section.

11 § 5. Section 32 of the public health law is amended by adding a new
12 subdivision 6-b to read as follows:

13 6-b. to consult with the commissioner on the preparation of an annual
14 report, to be made and filed by the commissioner on or before the first
15 day of July to the governor, the temporary president of the senate, the
16 speaker of the assembly, the minority leader of the senate, the minority
17 leader of the assembly, the commissioner, the commissioner of the office
18 of addiction services and supports, and the commissioner of the office
19 of mental health on the impacts that all civil and administrative
20 enforcement actions taken under subdivision six of this section in the
21 previous calendar year will have and have had on the quality and avail-
22 ability of medical care and services, the best interests of both the
23 medical assistance program and its recipients, and fiscal solvency of
24 the providers who were subject to the civil or administrative enforce-
25 ment action;

26 § 6. This act shall take effect on the thirtieth day after it shall
27 have become a law.