

STATE OF NEW YORK

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IN SENATE

March 2, 2023

Introduced by Sens. HARCKHAM, BORRELLO, FERNANDEZ, GALLIVAN, 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 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee -- reported favorably from said committee, ordered to first and second report, ordered to a third reading, amended and ordered reprinted, retaining its place in the order of third reading

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.

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

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

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

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

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

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

18 [~~2~~] 5. "Investigation" means investigations of fraud, abuse, or ille-
19 gal acts perpetrated within the medical assistance program, by providers
20 or recipients of medical assistance care, services and supplies.

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

25 [~~3~~] 7. "Office" means the office of the Medicaid inspector general
26 created by this title.

27 8. "Overpayment" means any funds that a provider receives or retains,
28 to which the provider is not, after applicable reconciliation, entitled
29 under the medical assistance program.

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

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

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

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

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

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

55 2. Provider contracts, cost reports, claims, bills or medical assist-
56 ance payments that were the subject matter of a previous audit or review

1 within the last three years shall not be subject to review or audit
2 again except on the basis of new information, for good cause to believe
3 that the previous review or audit was erroneous, or where the scope of
4 the inspector's review or audit is significantly different from the
5 scope of the previous review or audit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 § 6. This act shall take effect January 1, 2026.