

# STATE OF NEW YORK

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1069--A

2025-2026 Regular Sessions

## IN ASSEMBLY

January 8, 2025

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Introduced by M. of A. PAULIN, ROSENTHAL, VANEL, SIMON, JACOBSON, SANTA-BARBARA, KELLES, McMAHON, GONZALEZ-ROJAS, BURDICK, JENSEN, BEEPHAN, LUCAS, LUPARDO, STECK, SHIMSKY, WEPRIN, HEVESI, SEPTIMO, LEVENBERG, SIMONE, BLUMENCRANZ, SEAWRIGHT, RAMOS, SAYEGH, GIBBS, TAPIA, BRABENEC, DINOWITZ, RAGA, MEEKS, DAVILA, WOERNER, DE LOS SANTOS -- read once and referred to the Committee on Health -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

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

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 is amended by adding  
2 three new subdivisions 4, 5 and 6 to read as follows:

3 4. "Overpayment" shall mean any amount not authorized to be paid under  
4 the medical assistance program, whether paid as the result of inaccurate  
5 or improper cost reporting, improper claiming, unacceptable practices,  
6 fraud, abuse or mistake.

7 5. "Applicable standards" shall mean the state laws, regulations and  
8 duly promulgated policies, guidelines, protocols and interpretations of  
9 state agencies with jurisdiction in effect at the time the provider  
10 engaged in the regulated conduct or provision of services that the  
11 inspector general is auditing or reviewing.

12 6. "Clerical or minor error or omission" shall include mathematical or  
13 computational mistakes; transposed procedure or diagnostic codes; inac-  
14 curate data entry; computer errors; duplicate claims; and incorrect data  
15 items, such as provider number, use of a modifier or date of service.

16 § 2. The public health law is amended by adding a new section 37 to  
17 read as follows:

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

LBD02919-04-5

1 § 37. Audit and recovery of medical assistance payments to providers.  
2 Any audit or review of any provider contracts, cost reports, claims,  
3 bills, or medical assistance payments by the inspector, anyone design-  
4 ated by the inspector to conduct such audit or review, shall comply  
5 with the following standards:

6 1. Any reviews or audits of provider contracts, cost reports, claims,  
7 bills or medical assistance payments shall apply the applicable stand-  
8 ard. Prior to commencing an audit or review, the inspector shall provide  
9 to the provider access to any applicable standards. For the purpose of  
10 this subdivision, an applicable standard shall not be deemed in effect  
11 if federal governmental approval was pending or denied at the time the  
12 provider engaged in the regulated conduct or provision of services.

13 2. The inspector shall publish the most current version of protocols  
14 applicable to and governing any audit or review of a provider or provid-  
15 er contracts, cost reports, claims, bills or medical assistance payments  
16 on the office of the Medicaid inspector general website in advance of  
17 commencing such audit or review, which protocols shall include any and  
18 all applicable standards.

19 3. In determining the amount of an overpayment a provider must repay  
20 following an audit or review, consistent with subdivision six of section  
21 thirty-two of this title, the inspector must consider the following  
22 factors:

23 (a) Whether the findings suggest a sustained or high level of payment  
24 error;

25 (b) Whether the nature of the error is a clerical or minor error or  
26 omission;

27 (c) Impacts to the provider's financial solvency; and

28 (d) The potential for the repayment, if ordered, to negatively impact  
29 access to services.

30 4. Any sampling and extrapolation methodologies utilized by the  
31 inspector shall be consistent with accepted standards of sound auditing  
32 practice and statistical analysis.

33 5. If the inspector determines that the basis of an overpayment is a  
34 clerical or minor error or omission, and if the inspector further deter-  
35 mines such clerical or minor error or omission are isolated occurrences,  
36 limited to three or less, then the inspector shall not apply extrapo-  
37 lation in those cases and recoupment will be limited to each such  
38 affected audited claim.

39 6. The draft audit report given to the provider shall include the  
40 inspector's findings and a detailed written explanation of the extrapo-  
41 lation method if used, including the size of the sample, the sampling  
42 methodology, the defined universe of claims, the specific claims  
43 included in the sample, the results of the sample, the assumptions made  
44 about the accuracy and reliability of the sample and the level of confi-  
45 dence in the sample results, and the steps undertaken to calculate the  
46 alleged overpayment and any applicable offset based on the sample  
47 results.

48 7. The inspector shall consider any supporting documentation that the  
49 provider submits prior to the issuance of the final audit report that  
50 the provider thinks is relevant to the audit, including, but not limited  
51 to attestations addressing missing documentation and/or signatures. The  
52 inspector shall use the totality of the record to determine if the  
53 documentation or signature requirement, as outlined in statute or regu-  
54 lation, is met, and/or consider submitted attestations to resolve the  
55 issue. If the inspector rejects such supporting documentation, an expla-  
56 nation for such rejection shall be provided in writing.

1 8. The inspector's final audit report or final notice of agency action  
2 shall include a specific explanation of the inspector's consideration of  
3 the factors described in paragraphs (a) through (d) of subdivision three  
4 of this section.

5 9. The inspector shall not foreclose or prohibit the provider from  
6 settling through repayment at the lower confidence limit plus applicable  
7 interest, even if the provider requests a hearing, up until the hearing  
8 determination is issued.

9 10. Neither recoupment by the inspector nor repayment by the provider  
10 of overpayments shall commence earlier than sixty days from the issuance  
11 date of the final audit report or, if the provider requests a hearing,  
12 then sixty days from the issuance date of the hearing determination.

13 11. Nothing in this section shall prevent the inspector from complying  
14 with Medicaid audit requirements established by federal law, rules and  
15 regulations, or binding federal agency guidance and directives.

16 § 3. The opening paragraph of subdivision 1 of section 35 of the  
17 public health law, as added by chapter 442 of the laws of 2006, is  
18 amended to read as follows:

19 The inspector shall, no later than October first of each year,  
20 ~~[submit]~~ consult with the commissioner on the preparation of an annual  
21 report, to be made and filed by the inspector and submitted to the  
22 governor, the temporary president of the senate, the speaker of the  
23 assembly, the minority leader of the senate, the minority leader of the  
24 assembly, the commissioner, the commissioner of the office of addiction  
25 services and supports, and the commissioner of the office of mental  
26 health, the commissioner of the office of persons with developmental  
27 disabilities, the state comptroller and the attorney general~~[, a report~~  
28 ~~summarizing the activities of the office during the preceding calendar~~  
29 ~~year]~~. Such report shall include:

30 § 4. Paragraphs (b), (f) and (g) of subdivision 1 of section 35 of the  
31 public health law, paragraph (b) as added by chapter 442 of the laws of  
32 2006, paragraph (f) as amended and paragraph (g) as added by section 111  
33 of part E of chapter 56 of the laws of 2013, are amended and a new para-  
34 graph (h) is added to read as follows:

35 (b) the number, subject and other relevant characteristics of audits  
36 initiated, and those completed, including but not limited to outcome,  
37 region, reason for audit and the total dollar value identified for  
38 recovery ~~[and]~~, the actual recovery from such audits and how many audits  
39 where overpayments were recovered used extrapolation;

40 (f) a narrative that evaluates the office's performance, describes any  
41 specific problems and connection with the procedures and agreements  
42 required under this section, discusses any other matters that may have  
43 impaired its effectiveness and summarizes the total savings to the  
44 state's medical assistance program; ~~[and]~~

45 (g) a narrative, provided by the department in its annual report  
46 pursuant to paragraph (t) of subdivision one of section two hundred six  
47 of this chapter that summarizes the department's activities to mitigate  
48 fraud, waste and abuse during the preceding calendar year~~[,]~~; and

49 (h) a narrative that describes the steps taken by the office in the  
50 past year to comply with subdivision six of section thirty-two of this  
51 title, which requires consideration of quality and availability of  
52 medical and long term care and services and the best interest of both  
53 the medical assistance program and recipients, in the pursuit of civil  
54 and administrative enforcement actions.

55 § 5. This act shall take effect April 1, 2026.