

# **OFFICE OF MEDICAID INSPECTOR GENERAL**

## **MISSION**

The 2006-07 Executive Budget establishes the Office of Medicaid Inspector General (OMIG) — an independent entity within the Department of Health — in statute to improve and preserve the integrity of the Medicaid program by conducting and coordinating fraud, waste and abuse control activities for all State agencies responsible for services funded by Medicaid.

In carrying out its mission, the Office will conduct and supervise all prevention, detection, audit and investigation efforts and coordinate such activities with the Department of Health's Office of Medicaid Management, and the Office of Mental Health, Office of Mental Retardation and Developmental Disabilities and Office of Alcoholism and Substance Abuse Services. In addition, the Medicaid Inspector General will work closely with the Attorney General's Medicaid Fraud and Control Unit (MFCU) and strengthen partnerships with Federal and local law enforcement agencies.

## **ORGANIZATION AND STAFFING**

The Office will be headed by the Medicaid Inspector General appointed by the Governor with the advice and consent of the Senate. The Medicaid Inspector General will be headquartered in Albany with five regional field offices located throughout the state.

The Office was created by Executive Order in the current State Fiscal Year. Staff working on Medicaid fraud, waste and abuse prevention activities in the Department of Health and other State agencies will be administratively transferred to OMIG.

The 2006-07 Executive Budget funds 411 existing positions related to fraud, waste and abuse control activities and provides additional resources to establish 81 new positions. In total, the Office of Medicaid Inspector General will have a State workforce of 492 full-time employees, and another 135 employees funded by contractual resources. Approximately 55 percent of the positions are supported by the General Fund and the remaining 45 percent are supported by Federal and other funds.

## **BUDGET HIGHLIGHTS**

The 2006-07 Executive Budget recommends \$94 million to support the operations of the Office of Medicaid Inspector General. The Budget transfers all existing audit and investigative resources to this new Office and provides additional funding totaling \$18.3 million (an increase of 24 percent) to improve the State's ability to combat fraud, waste and abuse by:

- Contracting with clinicians at the State University of New York at Stony Brook and other universities for program expertise to develop clinical guidelines and improve protocols to identify patterns associated with fraud, waste or abuse;
- Strengthening the prepayment identification and verification process to maximize third party recoveries;
- Enhancing the State's ability to investigate fraud and ensure compliance with provider Medicaid standards;
- Implementing new technologies to utilize the capabilities of the eMedNY system for assisting in the detection of fraud, waste and abuse; and
- Improving the coordination of anti-fraud activities with other State agencies in order to improve the procedures and protocols for the detection and prevention of Medicaid fraud.

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In addition, the Budget advances a series of statutory reforms to improve the State's ability to combat Medicaid fraud including: imposing criminal penalties for certain fraudulent health care practices, increasing penalties for the submission of fraudulent claims, establishing whistleblower protections for employees reporting health care fraud, permitting prosecutions for the possession of diverted prescription drugs and changing the court venue consistent with the practice used for other State agencies.

### **PROGRAM HIGHLIGHTS**

The Medicaid program was established by the Federal government in 1965 as a health insurance program for the poor. Absent any additional reforms, New York's Medicaid program costs would total \$47.6 billion in 2006-07. Medicaid provides coverage to nearly 4 million New Yorkers.

The Department of Health now processes more than 400 million Medicaid claims annually to approximately 60,000 active health care providers offering a wide range of services including nursing facility care, inpatient and outpatient hospital care, home health care, physician services, pharmaceuticals, and other services. In the last six years alone, the Department of Health's efforts — aided in large part by the tremendous investments in detection systems upgrades and improvements — have saved the State Medicaid program more than \$12.8 billion.

Building on that record of achievement, the Office of Medicaid Inspector General will improve fraud, waste and abuse control activities by prioritizing and focusing existing fraud efforts and developing new innovative approaches to prevent, detect, investigate and prosecute fraud.

#### **ALL FUNDS APPROPRIATIONS (dollars)**

<b>Category</b>	<b>Available 2005-06</b>	<b>Appropriations Recommended 2006-07</b>	<b>Change</b>	<b>Reappropriations Recommended 2006-07</b>
State Operations	76,226,000	94,596,000	18,370,000	34,216,400
Aid To Localities	0	0	0	0
Capital Projects	0	0	0	0
<b>Total</b>	<b>76,226,000</b>	<b>94,596,000</b>	<b>18,370,000</b>	<b>34,216,400</b>

#### **ALL FUND TYPES PROJECTED LEVELS OF EMPLOYMENT BY PROGRAM FILLED ANNUAL SALARIED POSITIONS**

##### **Full-Time Equivalent Positions (FTE)**

<b>Program</b>	<b>2005-06 Estimated FTEs 03/31/06</b>	<b>2006-07 Estimated FTEs 03/31/07</b>	<b>FTE Change</b>
Medicaid Audit and Fraud Prevention			
General Fund	199	280	81
Special Revenue Funds - Federal	180	180	0
Special Revenue Funds - Other	32	32	0
<b>Total</b>	<b>411</b>	<b>492</b>	<b>81</b>

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## STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY FUND TYPE APPROPRIATIONS (dollars)

Fund Type	Available 2005-06	Recommended 2006-07	Change
General Fund	21,653,000	35,023,000	13,370,000
Special Revenue Funds - Federal	50,073,000	55,073,000	5,000,000
Special Revenue Funds - Other	4,500,000	4,500,000	0
Total	<u>76,226,000</u>	<u>94,596,000</u>	<u>18,370,000</u>

Adjustments:

Transfer(s) From			
Alcoholism and Substance Abuse Services, Office of General Fund	(100,000)		
Health, Department of General Fund	(15,753,000)		
General Fund (Aid To Localities)	(5,550,000)		
Special Revenue Funds - Federal	(50,073,000)		
Special Revenue Funds - Other	(4,500,000)		
Mental Retardation and Developmental Disabilities, Office of General Fund	(250,000)		
Appropriated 2005-06	<u>0</u>		

## STATE OPERATIONS ALL FUNDS FINANCIAL REQUIREMENTS BY PROGRAM APPROPRIATIONS (dollars)

Program	Available 2005-06	Recommended 2006-07	Change
Medicaid Audit and Fraud Prevention			
General Fund	21,653,000	35,023,000	13,370,000
Special Revenue Funds - Federal	50,073,000	55,073,000	5,000,000
Special Revenue Funds - Other	4,500,000	4,500,000	0
Total	<u>76,226,000</u>	<u>94,596,000</u>	<u>18,370,000</u>

## STATE OPERATIONS - GENERAL FUND SUMMARY OF PERSONAL SERVICE APPROPRIATIONS AND CHANGES 2006-07 RECOMMENDED (dollars)

Program	Total		Personal Service Regular (Annual Salaried)	
	Amount	Change	Amount	Change
Medicaid Audit and Fraud Prevention	18,872,000	6,725,000	18,872,000	6,725,000
Total	<u>18,872,000</u>	<u>6,725,000</u>	<u>18,872,000</u>	<u>6,725,000</u>

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## STATE OPERATIONS - GENERAL FUND SUMMARY OF NONPERSONAL SERVICE AND MAINTENANCE UNDISTRIBUTED APPROPRIATIONS AND CHANGES 2006-07 RECOMMENDED (dollars)

<u>Program</u>	<u>Total</u>		<u>Supplies and Materials</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Medicaid Audit and Fraud Prevention	16,151,000	6,645,000	800,000	800,000
Total	<u>16,151,000</u>	<u>6,645,000</u>	<u>800,000</u>	<u>800,000</u>

  

<u>Program</u>	<u>Travel</u>		<u>Contractual Services</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Medicaid Audit and Fraud Prevention	45,000	45,000	7,807,000	0
Total	<u>45,000</u>	<u>45,000</u>	<u>7,807,000</u>	<u>0</u>

  

<u>Program</u>	<u>Equipment</u>		<u>Maintenance Undistributed</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Medicaid Audit and Fraud Prevention	800,000	800,000	6,699,000	5,000,000
Total	<u>800,000</u>	<u>800,000</u>	<u>6,699,000</u>	<u>5,000,000</u>

## STATE OPERATIONS - OTHER THAN GENERAL FUND SUMMARY OF APPROPRIATIONS AND CHANGES 2006-07 RECOMMENDED (dollars)

<u>Program</u>	<u>Total</u>		<u>Personal Service</u>	
	<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
Medicaid Audit and Fraud Prevention	59,573,000	5,000,000	13,935,000	0
Total	<u>59,573,000</u>	<u>5,000,000</u>	<u>13,935,000</u>	<u>0</u>

  

<u>Program</u>	<u>Nonpersonal Service</u>	
	<u>Amount</u>	<u>Change</u>
Medicaid Audit and Fraud Prevention	45,638,000	5,000,000
Total	<u>45,638,000</u>	<u>5,000,000</u>