While we appreciate the Auditor's willingness to work with our staff, which resulted in a reduction of the number by more than 300 million dollars, we do not agree that providing an extrapolation of these numbers paints a correct picture for North Carolina citizens. It is not accurate, nor reasonable to believe that North Carolina overpaid providers by this margin.

We are committed to correcting the items identified through provider education, system changes and targeted recoupments while at the same time continue to aggressively target cases of fraud and abuse.

Over the last three years, the department has made significant progress improving its operations and we remain committed to continual improvement. We value the role that audits can play in further enabling us to do so. This annual audit will be used by the department to continue on this path of improved effectiveness.

How we are improving:

The Office of the State Auditor shows 13% for the errors in Medicaid provider billing. The equivalent figure for this same finding from last year was 24%. That's a significant improvement.

Why our number is right and how we compare to other states:

Using the auditor's own methodology, which arrived at a 13% error rate, our rate determination is 7.8%. The difference is that the 13% includes payments caught up in rate changes. Because rates changes can take an extensive amount of time for review and approval by the Centers for Medicare and Medicaid Services, issues with these payments will ultimately resolve themselves over time.

The rate of 7.8% is further validated by comparing to the federal Payment Error Rate Measurement (PERM) audit, which shows North Carolina's rate to be 6.7%. The PERM audit is deeper and more thorough than this single audit. North Carolina was audited with 17 other states that, collectively, averaged an error rate of 8.2%*.

* Other states surveyed with North Carolina are: Alabama, California, Colorado, Georgia, Kentucky, Maryland, Massachusetts, Nebraska, New Hampshire, New Jersey, North Carolina, Rhode Island, South Carolina, Tennessee, Utah, Vermont, West Virginia

The findings:

The department disagrees with a number of the issues cited in this finding (19 out of 50), which reduces the error rate noted from 13% to 7.8%. This error rate closely aligns with the department's National Payment Error Rate Measurement (PERM) rate of 6.7%. By comparison, the overall Payment Error Rate Measurement for the 17 states with which North Carolina is compared is 8.2%.

Twelve claims cited are part of retroactive rate changes. This is really a matter of timing. When rate changes are set by the General Assembly, they must then be approved by CMS. This process typically requires an extensive review period, which creates a delay in implementing the rate change, regardless of the implementation date set by the legislature. That means the department must retroactively adjust the rate, reprogram the system to account for the providers impacted, then reprocess the claims. Of the claims cited here, this reprocessing is still underway. It began in April 2015 and will be complete in December 2016.

Claims cited for incorrect payment methodology are a result of clarification by CMS for a specific subset of claims. Reprocessing these seven claims to account for the clarification is underway and will be complete in June 2016.

Of the additional errors cited, 16 related to insufficient or improper documentation. Improper documentation is the top error found in Medicaid reviews nationwide. The department will continue its efforts to educate providers about documentation standards and will target education and training to specific provider types if they are consistently having issues. Likewise, the department will determine if additional documentation will resolve any of the claims and will ensure appropriate collection is made of over payments or that payment is made for any underpayments.

The remaining 15 errors cited were related to payments to providers who were deemed to be ineligible to provide a specific service. The department has implemented system changes to require a provider who is ordering a service, prescribing or referring a patient, to include his or her National Provider Identifier number on the claim. We believe this change will keep this from happening in the future.

It's important to know that of the 31 errors cited above, 23 are for amounts less than $150.