



United States Government Accountability Office
Washington, DC 20548

July 15, 2008

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate

Subject: Schedule and Timing Issues Complicate Withholding Premiums for Medicare Parts C and D from Social Security Payments

Dear Mr. Chairman:

The Social Security Administration (SSA) has been withholding Medicare premiums from beneficiaries' Social Security payments since the Supplementary Medical Insurance (Part B) program was first enacted in 1965.¹ Beginning in 2006, premium withholding became a payment option for the Medicare Advantage program (Part C) and the new program for Prescription Drug Coverage (Part D). These changes were authorized by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). Two federal agencies play critical roles in the premium withholding process: the Centers for Medicare & Medicaid Services (CMS) and SSA. The Department of the Treasury (Treasury) also plays an important role by disbursing the adjusted Social Security payments to beneficiaries.

Premium withholding can make paying premiums easier for both beneficiaries and the insurance plans. However, following implementation of the premium withholding provisions under MMA in 2006, there were numerous reports of beneficiaries not having the correct Parts C and D premiums withheld. Also, about 231,000 beneficiaries had their premiums refunded erroneously because they were mistakenly identified as having paid excess premiums. As a result, you requested that we review efforts to ensure that the correct Medicare premiums are being withheld from beneficiaries' Social Security payments. Specifically, we sought answers to the following key questions:

¹Hospital Insurance (Part A) was also enacted in 1965; however, the only Part A beneficiaries who pay premiums are those who do not receive Social Security benefits. Therefore, there is no withholding for Part A premiums.

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1. How do the processes for withholding premiums from Social Security payments compare for the various parts of Medicare?
 2. What problems, if any, have been identified with the premium withholding process?
 3. What steps have SSA and CMS taken to address these problems?

To compare the processes for withholding premiums from Social Security payments for the various parts of Medicare, we interviewed SSA, CMS, and Treasury officials and reviewed documents describing the data systems, data exchange policies, and premium withholding procedures for each part, as appropriate. To identify any problems with the premium withholding process, and the steps taken by SSA and CMS to address these problems, we interviewed SSA and CMS officials; obtained documentation, including agency memorandums, internal reports, Medicare enrollment data, and transaction data; and examined CMS data on beneficiary complaints. We used agency-provided data to develop time frames for when changes to premium withholding requested by beneficiaries are reflected in Social Security payments and to illustrate how time frames may be extended when problems occur in the process. We obtained the views of Medicare beneficiary advocacy groups and representatives of eight private health insurance plans that together provide Part C or Part D coverage (or both) to about 13.6 million people (about half of all Parts C and D beneficiaries). We also consulted with other GAO teams working on related topics,² and we reviewed relevant federal laws and regulations.

We conducted our work from October 2007 to July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

On June 5, 2008, we briefed your office on the results of our work (see enc. I). This report formally conveys information provided during the briefing.

²For example, GAO is currently conducting a study of Medicare beneficiary complaints (publication scheduled for the summer of 2008) and a study of the Part D enrollment process (publication scheduled for the fall of 2008).

Summary

- *The process for withholding premiums for Medicare Parts C and D is more complex than for Part B, involving more entities and data matching requirements.*

For Part B, SSA is responsible for all steps of the premium withholding process, automatically enrolling almost all beneficiaries with premium withholding, then informing CMS and Treasury of these actions.³ For Parts C and D, premium withholding requests must be initiated by the beneficiary and multiple entities are involved in the process. Requests must pass from the beneficiary to the plan, from the plan to CMS, and from CMS to SSA. SSA then notifies CMS and Treasury if the action is successful. This process requires that SSA and CMS records match at two critical points for a premium withholding request to be successful. At the first critical point for records matching, SSA data on the beneficiary and the plan must match the request from CMS, or SSA's information systems will reject the transaction and the premiums will not be withheld. At the second critical point for records matching, SSA data on premiums withheld must match the CMS data on the amount of premiums owed to the plans, or CMS will not pay the premiums to plans.

- *When the MMA changes allowing beneficiaries to choose their premium payment method for Parts C and D were first implemented, various difficulties arose, primarily due to three key problems.*

First, SSA established a limited "window" for accepting premium withholding requests from CMS in batch transaction files (i.e., files of transactions that are collected and processed together at a specified time). This window is driven by Treasury's schedule for accepting changes to Social Security payments, which, in turn, is driven by the high volume of payments Treasury processes each month. Thus, even with no delays in processing, many premium withholding requests were not processed in time to be reflected in the next month's Social Security payment. When this happened, premium withholding was not accurate for at least 1 month and, once processed, retroactive adjustments were required for the months when the withholding was not accurate. Second, SSA's information system rejected nearly half of the transactions that CMS submitted in 2006 due to inconsistent data. Third, CMS did not complete

³For an overview of the different parts of Medicare, see enclosure II. For a detailed description of the premium withholding processes for Part B and for Parts C and D from an information systems perspective, see enclosure III.

its reconciliation of inconsistent records regarding premium amounts owed plans for 2006 until July 2007.

- *SSA and CMS have taken numerous steps to address problems, and the number of rejected transactions has decreased dramatically. But challenges remain, and plan sponsors and beneficiary advocates continue to voice concerns about the premium withholding process and the difficulties it continues to cause some beneficiaries.*

System modifications to improve the consistency of the data across SSA and CMS databases have reduced the number of rejected transactions from 44.5 percent in 2006 to 5.3 percent in 2007. CMS adopted various new policies and worked with SSA to develop new procedures to help protect beneficiaries. For example, policies were adopted to prevent too much from being taken out of a beneficiary's Social Security payment at one time.⁴ CMS also barred plans from billing a beneficiary for premiums while a withholding request is being processed (provisions that would be codified and strengthened under the proposed regulations issued in May 2008).⁵ To expedite the resolution of premium withholding problems that impose financial hardship on a beneficiary, SSA and CMS also developed an individual case handling process that takes advantage of Treasury's extended window (of up to 8 additional workdays)⁶ for accepting a limited number of changes to the next month's Social Security payments.

Despite the steps taken, challenges remain due to the schedule and timing of the premium withholding process. For example, unless SSA receives a premium withholding request during the 1st week of the month, it cannot be processed in time to be reflected in the next month's Social Security payment. In addition, the timing of the annual election period (AEP), when beneficiaries can join, drop, or change their enrollment in Parts C and D plans, overlaps with the processing of annual updates to Medicare premium amounts and Social Security benefits. However, the timing of the AEP—which is set by federal law—does not end in time for all of the

⁴In addition, see enclosure IV for examples of CMS forms and guidance to help ensure that beneficiaries are informed about the length of time it could take to process premium withholding requests.

⁵73 Fed. Reg. 28,556 (proposed May 16, 2008) (to be codified at 42 C.F.R. pts. 422 and 423).

⁶Treasury's extended window allows changes to Electronic Funds Transfer (EFT) payments for up to 10 additional workdays. However, since SSA does not separate the batch files for paper checks from EFTs, this longer window for EFTs is not being used.

changes to be processed simultaneously with these other updates. When changes that affect premium withholding are made during the last half of the AEP, it may take several months before the correct premiums are withheld from a beneficiary's Social Security payment. The plan sponsors and beneficiary advocates with whom we spoke continue to voice concerns about delays in processing premium withholding requests and about the difficulties experienced by some beneficiaries.

Conclusions

SSA and CMS have made considerable progress in working together to solve problems and reduce delays in processing premium withholding requests. However, significant challenges remain due to SSA's limited window for processing requests, which is driven by Treasury's schedule for accepting payment changes, and to the statutorily required dates for accepting changes to enrollment in Medicare Parts C and D plans.

In considering possible changes to the dates of Medicare enrollment periods, many factors must be considered in addition to the impact on premium withholding. GAO is currently conducting a more comprehensive study of the various issues related to the AEP, with the resulting report scheduled for publication in the fall of 2008.

Recommendations for Executive Action

To help premium withholding become a more viable payment option for Medicare Parts C and D, and to reduce the number of requests requiring retroactive adjustments, we recommend the following:

- CMS should consider alternatives to the approach put forth in the proposed regulations for preventing double-billing of beneficiaries while premium withholding requests are being processed. More specifically, for initial premium withholding requests (either for new enrollees or for existing enrollees who want to switch to premium withholding), CMS should consider allowing plans to bill beneficiaries directly until they are notified that the request for premium withholding has been accepted and will begin to be reflected in the beneficiary's next Social Security payment.

For all requests that are not addressed by the previous recommendation, SSA—in consultation with CMS and Treasury, as appropriate—should explore other ways to expedite the processing of premium withholding requests, such as

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- separating batch transaction files for paper checks and Electronic Funds Transfer (EFT) payments, which may allow extending the processing window for changes to EFT payments, or
 - processing more cases during Treasury’s extended window for accepting changes to Social Security payments.

Agency Comments and Our Evaluation

We provided a draft of this report to officials at SSA, CMS, and Treasury for review and comment. In written comments, SSA agreed with our recommendation to explore ways to expedite processing (see enc. V). With respect to our suggestion to separate batch transaction files for checks and EFT payments, SSA stated that it held exploratory discussions with Treasury on the feasibility and benefits of taking such action, and that while a number of complex issues have been raised, discussions are continuing. With respect to our suggestion to process more cases during Treasury’s extended window for accepting changes to Social Security payments, SSA stated that it agreed to increase the number of transactions or expand the window for those transactions. SSA noted that it had discussed this with Treasury and, as a result of these discussions, SSA has agreed to extend its window for accepting transactions from CMS (the “CAN MEET” window) by 3 additional workdays. SSA also stated that it will continue to work with Treasury and CMS to identify additional improvements for effectuating Medicare premium withholding actions closer to the date of the beneficiaries’ requests.

In written comments, CMS also agreed with our recommendations (see enc. VI). With respect to our recommendation that CMS should consider alternative approaches to that put forth in the proposed regulations, CMS agreed that allowing Parts C and D premium withholding to start prospectively, rather than having to deal with retroactive adjustments, is desirable. CMS stated that it would consider the option we suggested—along with other options suggested by those commenting on its proposed rule—in deciding on the approach to be included in its final regulations. With respect to our recommendation to explore other ways to expedite processing, CMS stated that it concurred, and that if viable alternatives are identified, it would be glad to work with SSA on implementing them.

In written comments, Treasury agreed with our recommendations as well (see enc. VII). Specifically, Treasury noted that if SSA separated paper checks and EFT transactions as we suggest, it would allow a sizable increase in the number of change transactions Treasury could process to be reflected in the next month’s payments. Treasury also commented that the underlying reason

for the difficulties related to SSA's limited window for processing is not that Treasury is unable to process changes in a timely manner, as may be implied from the wording in the summary, but that the statute's required dates for accepting changes to enrollment in Parts C and D plans did not take into account SSA and Treasury processing cycles. As discussed in the report, we agree that statutorily required dates for enrollment periods—especially the AEP—pose a significant challenge for processing premium withholding requests, and we concluded that it may be worthwhile to consider changes to these dates, but that such a decision would need to take into account many factors beyond premium withholding. We still conclude, however, that SSA's limited window also poses a significant challenge, and that there may be opportunities to improve the timeliness of processing premium withholding requests apart from the statutory constraints—such as by separating files of paper check and EFT payments. Since we did not intend for our discussion of this issue to imply that Treasury is unable to process changes in a timely manner, we have clarified the wording in the summary.

SSA and CMS also provided technical comments, which are reflected in the report as appropriate.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to relevant congressional committees, the Commissioner of SSA, the Acting Administrator of CMS, the Secretary of the Treasury, and other interested parties. We will also make copies available to others upon request. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or bovbjergb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made significant contributions to this report are listed in enclosure VIII.

Sincerely yours,



Director, Education, Workforce, and
Income Security Issues

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Abbreviations

AEP	annual election period
APPS	Automated Plan Payment System
CMS	Centers for Medicare & Medicaid Services
EFT	Electronic Funds Transfer
FACS	Financial Accounting and Control System
FMS	Financial Management Services
IPAC	Intra-governmental Payment and Collection
IRS	Internal Revenue Service
MARx	Medicare Advantage and Prescription Drug
MBR	Master Beneficiary Record
MDB	Medicare Database
MMA	Medicare Prescription Drug, Improvement, and Modernization Act of 2003
Part A	Hospital Insurance
Part B	Supplementary Medical Insurance
Part C	Medicare Advantage program
Part D	Prescription Drug Coverage
PWS	Premium Withhold Subsystem
SSA	Social Security Administration

Enclosure I: Briefing Slides



Medicare Premiums: Schedule and Timing Issues Complicate Withholding Parts C and D Premiums from Social Security Payments

Briefing for Senate Committee on Finance June 5, 2008

Note: We have revised the following slides subsequent to the briefing on June 5, 2008, in response to technical comments received from SSA and CMS, as appropriate.



Introduction

- SSA has been withholding Medicare premiums from beneficiaries' Social Security payments since the Medicare program was first enacted in 1965.
- More recently, Congress enacted the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA).¹ The law made various changes to the existing parts of the Medicare program, Hospital Insurance (Part A) and Supplementary Medical Insurance (Part B), renamed the Medicare+Choice program as the Medicare Advantage program (Part C), and created a new program entitled Prescription Drug Coverage (Part D). Prior to MMA, premium withholding from beneficiaries' Social Security payments had been a feature of only the Part B program;² under MMA, premium withholding is required to be offered to beneficiaries as a payment option for the Part C and Part D programs as well.
- Premium withholding can make paying premiums easier for both beneficiaries and the insurance plans. However, following implementation of the premium withholding provisions under MMA in 2006, there were numerous reports of beneficiaries not having the correct Part C and Part D premiums withheld. Also, in August 2006, about 231,000 beneficiaries had their premiums refunded erroneously because they were mistakenly identified as having paid excess premiums.
- As a result, the Senate Committee on Finance asked GAO to review efforts to ensure that the correct Medicare premiums are being withheld from beneficiaries' Social Security payments.

¹ Pub. L. No. 108-173.

² The only Part A beneficiaries who pay premiums are those who do not receive Social Security benefits, therefore, there is no withholding for Part A premiums.



Key Questions

The overall objective of this engagement was to examine the process implemented by SSA and CMS for withholding Medicare premiums from Social Security payments.

Specifically, we sought answers to the following key questions:

- (1) How do the processes for withholding premiums from Social Security payments compare for the various parts of Medicare?
 - (2) What, if any, problems have been identified with the premium withholding process?
 - (3) What steps have SSA and CMS taken to address these problems?
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Scope and Methodology

- To compare the processes for withholding premiums from Social Security payments for the various parts of Medicare, we interviewed SSA, CMS, and Treasury officials and reviewed documents describing the data systems, data exchange policies, and premium withholding procedures for each part, as appropriate.
- To determine the problems identified with the premium withholding process and the steps SSA and CMS have taken to address those problems, we—
 - Interviewed SSA and CMS officials, and obtained agency memos, internal reports, and data on enrollment and rejected transactions relevant to Parts B, C, and D, as appropriate;
 - Interviewed representatives of eight private plan sponsors, that together provide Part C and/or Part D coverage to about 13.6 million people (about half of all Part C and/or Part D beneficiaries);
 - Interviewed Medicare beneficiary advocacy groups, and examined CMS data on beneficiary complaints; and
 - Consulted with other GAO teams conducting work on related topics.³
- We conducted our work from October 2007 to June 2008 in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

³For example, GAO is currently conducting a study of Medicare beneficiary complaints (publication scheduled for summer 2008), and a study of the Part D enrollment process (publication scheduled for fall 2008).



Summary of Findings

- (1) **Process:** The process for withholding premiums for Medicare Part C and Part D is more complex than the process for Part B, involving more entities and requiring SSA and CMS records to match at two critical points.
- (2) **Problems:** When the MMA changes allowing beneficiaries to choose their premium payment method for Parts C and D were first implemented, the premium withholding process for Parts C and D encountered various difficulties, primarily due to:
 - SSA's limited processing window of 7 to 14 workdays each month, established to meet Treasury's payment processing requirements;
 - Inconsistent beneficiary and enrollment data that resulted in the rejection of nearly half the CMS transactions sent to SSA for processing during 2006; and
 - A 7-month delay in CMS' resolution of inconsistent records on the premium amounts owed plans for 2006.
- (3) **Steps Taken:** SSA and CMS have taken numerous steps to address the problems occurring during initial implementation, and the number of rejected transactions has decreased dramatically. But challenges remain with the schedule and timing of the premium withholding process, and plan sponsors and beneficiary advocates continue to voice concerns about the use of premium withholding and the difficulties it has caused some beneficiaries.



Summary of Findings (cont.)

Conclusions:

SSA and CMS have made considerable progress in working together to solve problems and to reduce delays in processing, however, significant challenges remain. To help premium withholding become a more viable payment option for Medicare Parts C and D premiums, further improvements to the premium withholding process are needed.



Background: Methods of Premium Payment

The premium payment methods available vary for the different parts of Medicare:

- **Part A:** Most do not pay premiums for coverage because it is funded by payroll taxes paid while the beneficiary (or the beneficiary's spouse) was working. Those who must pay premiums do not receive Social Security, so premiums cannot be withheld from a Social Security payment.
- **Part B:** By law,⁴ premiums are required to be withheld from the beneficiary's Social Security payment, unless there are insufficient funds (or no payment).
- **Parts C and D:** As required by MMA,⁵ plans are required to provide beneficiaries with the following payment options:
 - 1 – Have the premium withheld from their Social Security payment.
 - 2 – Have the premium automatically deducted from their checking or savings account, or charged to their credit or debit card.
 - 3 – Have the premium paid by other means specified by CMS, such as by check or money order after receiving a monthly billing statement from the plan, or by a third-party payer.

⁴ 42 U.S.C. § 1395s(a)(1).

⁵ 42 U.S.C. § 1395w-24(d)(2) and 42 U.S.C. § 1395w-113(c)(1).

Note: For a more detailed overview of the different parts of Medicare, see enclosure II.



Background: Participation Rates

Of the more than 33 million Medicare Part B beneficiaries who owe premiums, about 98.3 percent have premium withholding, according to SSA data.

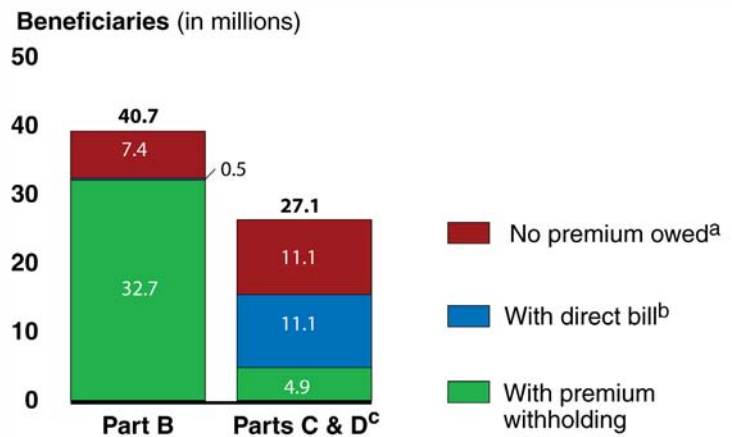
Of the 16 million Medicare Parts C and D participants who owe premiums, about 30.5 percent have premium withholding, according to CMS data.

^a Those beneficiaries who do not owe premiums include low-income beneficiaries whose premiums are subsidized, as well as those who do not receive Social Security (such as certain federal, state, and local government retirees).

^b Direct bill means that the plans bill the beneficiaries directly for their premiums.

^c Parts C and D beneficiaries include those that participate in "Part C only" plans, in Part C plans that offer Part D benefits, and in stand-alone Part D plans.

Figure 1: Participation in Premium Withholding (January 2008)



Source: GAO analysis of SSA and CMS data.

Note: Totals may not add due to rounding.



Background: Key Federal Agencies Involved

Two federal agencies play critical roles in the Medicare premium withholding process: CMS and SSA. Each of these agencies incorporates the tasks related to Medicare premium withholding into its existing structure that reflects its overall mission and scope of responsibilities related to the Medicare program.

- **CMS** administers the Medicare program, which in 2007 paid federal benefits totaling \$425 billion and covered 44 million people. With respect to the premium withholding process, CMS verifies beneficiary enrollment and premium amounts, and forwards this information to SSA. CMS also ensures proper payment of premiums to private insurance plans, as applicable.
- **SSA** administers the Old-Age, Survivors, and Disability Insurance program (commonly referred to as Social Security), which in 2007 made payments of over \$575 billion annually to almost 50 million people. With respect to the Medicare premium withholding process, SSA deducts the premium amounts from the beneficiaries' Social Security payments and forwards the information to Treasury.



Process: Premium Withholding for Parts C and D Is More Complex than for Part B

The process for initiating withholding for Medicare Parts C and D premiums (the same process is used for both Parts C and D) is more complex than the process for initiating withholding for Medicare Part B premiums. Because of the differences between the programs, many of the efficiencies of the Part B process cannot be applied to the process for Parts C and D.

- There are significant differences in the fundamental characteristics of the different Medicare programs that affect the premium withholding process.
- The process for initiating premium withholding for Part B is relatively simple, while the process for Parts C and D is more complex, involving multiple entities and requiring that SSA and CMS records match at two critical points.



Process: Premium Withholding for Parts C and D Is More Complex than for Part B (cont.)

Table 1: Differences in the Fundamental Characteristics of Part B Compared with Parts C and D

	Part B	Parts C and D
Payment methods available	Premium withholding is put in place automatically upon enrollment (unless the Social Security payment is insufficient to cover the premium amount or there is no payment).	Premium withholding is one of several payment methods that beneficiaries can choose. Other options that beneficiaries can arrange with their plans include automatic payment from a bank account or monthly billing.
When withholding can be elected	Not applicable. Beneficiaries do not choose their payment method, and cannot opt out of premium withholding.	Beneficiaries may request premium withholding during the enrollment process, or at any time after enrollment. They also may request to discontinue premium withholding at any time.
Insurer(s)	Part B coverage is provided by a single entity: the federal government.	Parts C and D coverage is provided under approximately 800 different contracts with over 6,000 plan benefit packages among private plan sponsors nationwide.
Premium calculation	The monthly premium for Part B is a standard amount for most, and is based on a standard calculation for others (such as high-income enrollees ^a and late enrollees).	The monthly premium amounts for Parts C and D vary widely by plan.

Source: GAO analysis of SSA and CMS documents.

^a Beginning in 2007, monthly Part B premiums for higher-income enrollees were changed to include an added amount based on income.



Process: Premium Withholding for Parts C and D Is More Complex than for Part B (cont.)

The Process for Withholding Part B Premiums

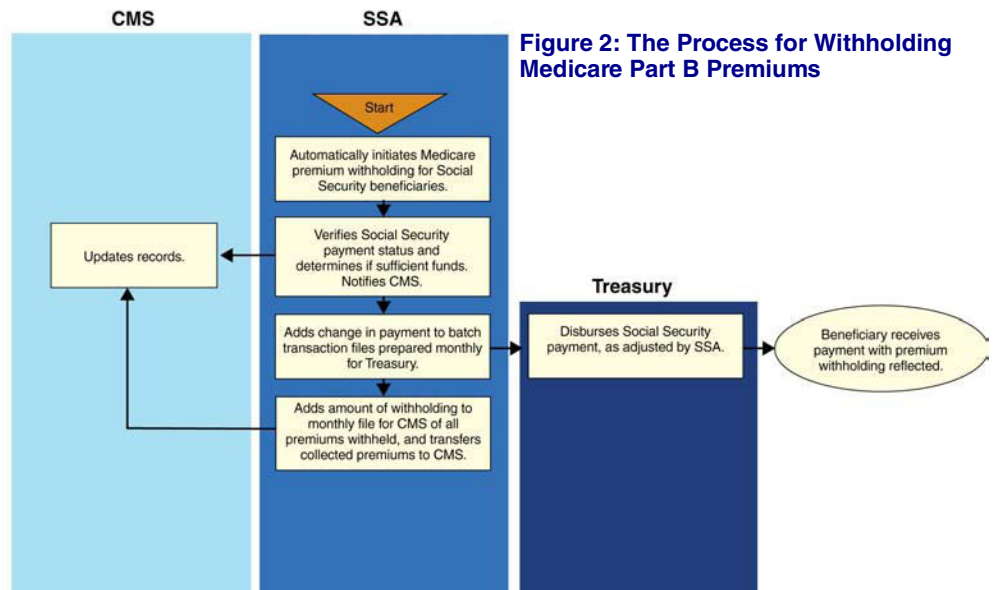
Almost all Social Security recipients are automatically enrolled in Medicare Part B upon turning age 65 (or at the 25th month of disability benefit entitlement), with premium withholding, unless the Social Security payment is too small to cover the premium amount or the person opts out of Part B coverage. SSA is responsible for all the steps in this process:

- SSA enrolls the beneficiary and initiates premium withholding automatically for all whose Social Security payment amount is sufficient to cover the premium.
- SSA notifies CMS so that CMS can update its records.
- SSA forwards the new payment amount with premiums withheld to Treasury in batch transaction files—that is, electronic files of transactions that are collected and processed together on specified dates each month.
- SSA transfers the collected withheld premiums to CMS via Treasury.

Note: Premiums are transferred to CMS through Treasury's Intra-governmental Payment and Collection (IPAC) System. For a detailed description of this process from an information systems perspective, see enclosure III.

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Process: Premium Withholding for Parts C and D Is More Complex than for Part B (cont.)



Source: GAO analysis of SSA, CMS, and Treasury documents.



Process: Premium Withholding for Parts C and D Is More Complex than for Part B (cont.)

The Process for Withholding Parts C and D Premiums

When beneficiaries elect to have their Medicare Parts C and D premiums withheld from their monthly Social Security payments, multiple entities are involved in processing the transaction:

- The beneficiary submits the request to the Part C or Part D plan.
- The plan forwards the request to CMS.
- CMS updates its records.
- CMS forwards the request to SSA in batch transaction files during a window when SSA accepts such files (from 7 to 14 workdays each month).
- SSA updates its records and forwards the new payment amount to Treasury in batch transaction files on specified dates each month.
- SSA adds the withheld premium amount to its monthly file of premiums withheld and forwards the file to CMS.

Note: For a detailed description of this process from an information systems perspective, see enclosure III.

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Process: Premium Withholding for Parts C and D Is More Complex than for Part B (cont.)

The Process for Withholding Parts C and D Premiums (cont.)

SSA's and CMS' records must match at two critical points or the request for premium withholding will not be successful.

- When SSA receives the request, it first verifies the beneficiary's identification information against its own data systems, and the premium information against the plan data provided by CMS. If the records do not match, SSA rejects the transaction and, if the inconsistency cannot be resolved, CMS will notify the plan to bill the beneficiary directly for their premiums.
- After the premium has been withheld from the beneficiary's Social Security payment, SSA adds the amount of withholding to a monthly file prepared for CMS of all premiums withheld. CMS attempts to reconcile the information in this file with its records of premiums owed to the plans. If the records do not match, CMS will not pay the plans the amount in question. If the records cannot be reconciled, CMS may resolve the discrepancy by directing SSA to refund excess premiums to the beneficiary and/or notifying the plan to bill the beneficiary directly for any premiums still owed.

Process: Premium Withholding for Parts C and D Is More Complex than for Part B (cont.)

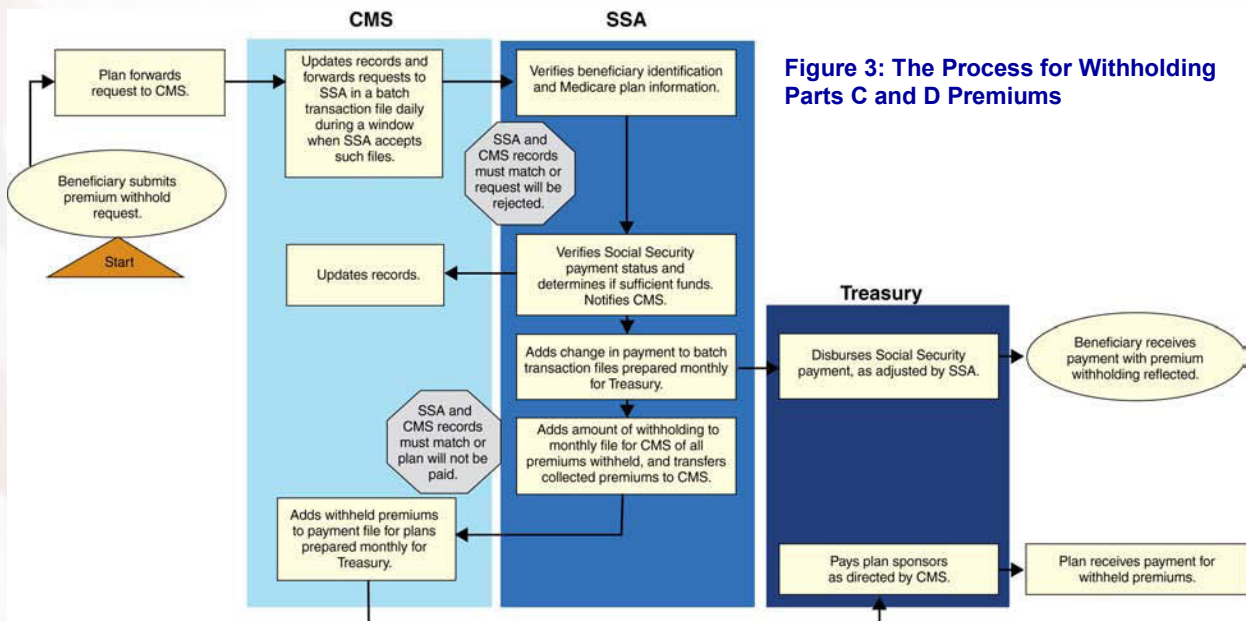


Figure 3: The Process for Withholding Parts C and D Premiums

Source: GAO analysis of SSA, CMS, and Treasury documents.



Problems: Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties

During 2006, when the MMA changes allowing beneficiaries to choose their premium payment method for Parts C and D were first implemented, premium withholding for Parts C and D encountered various difficulties primarily due to the following key problems:

- The limited processing window SSA established for accepting premium withholding requests from CMS, driven by Treasury's timetable for submitting changes to be reflected in the next month's Social Security payments.
- The large volume of transactions rejected due to inconsistencies between SSA and CMS data when CMS submitted requests to SSA for processing.
- The length of time CMS required to determine how to resolve discrepancies between SSA's monthly file of premiums withheld and CMS' records of premiums owed.



Problems: Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties (cont.)

Limited processing window

Treasury pays Social Security benefits on established dates each month:

- The third of the month for beneficiaries first receiving benefits before May 1997 (referred to as "cycle 1" payments)⁶—about 63% of beneficiaries in fiscal year 2007, according to Treasury data.
- On the 2nd, 3rd, or 4th Wednesday of each month for beneficiaries who filed claims on or after May 1, 1997 (referred to as "cycle 2, 3, and 4" payments)—about 37% of beneficiaries in fiscal year 2007 (but increasing over time), according to Treasury data.

Due to the high volume of payments Treasury processes each month, Treasury requires SSA to submit files of payment changes on certain specified dates in order for the changes to be reflected in the next month's payments. For cycle 1 payments, the files are due 2 to 3 weeks before the payment date. For cycle 2, 3, and 4 payments, the files are due 1 week before the payment date.

⁶ If the payment date falls on a Saturday, Sunday, or federal holiday, payments are made on the first day preceding that date that is not a Saturday, Sunday, or federal holiday.



Problems: Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties (cont.)

Limited processing window (cont.)

To allow time to process CMS transactions together with other changes to Social Security payments for submission to Treasury on the specified dates, SSA has established a processing schedule that limits the window for accepting CMS batch data files to between 7 to 14 workdays each month.

In general:

- SSA accepts CMS batch data files during the first week of each month, and the changes on these files are reflected in the next month's Social Security payments.
- SSA closes the window for about 2 weeks in the middle of each month; no CMS batch data files are accepted during this time.
- SSA reopens the window for accepting CMS batch data files during the last week of each month, but the changes on these files are not reflected in the next month's Social Security payments—they are reflected in the payments another month later.



Problems: Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties (cont.)



Despite the move to electronic funds transfer (EFT) payments, about 12% of all Social Security beneficiaries still receive paper checks, according to SSA data.

- During fiscal year 2007, Treasury printed about 8.3 million Social Security checks monthly.
- About the 2nd week of each month, Treasury begins printing checks for the next month's payments.

The need to meet Treasury's cycle 1 payment processing schedule drives SSA's schedule for accepting and processing requests for premium withholding.

Source: Department of Treasury, April 2008.

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Problems:

Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties (cont.)

Limited processing window (cont.)

Due to this limited window, CMS received many requests for premium withholding that were not processed in time to be reflected in the next month's Social Security payments. Yet the premiums owed—to be paid by premium withholding—started accruing in that next month.

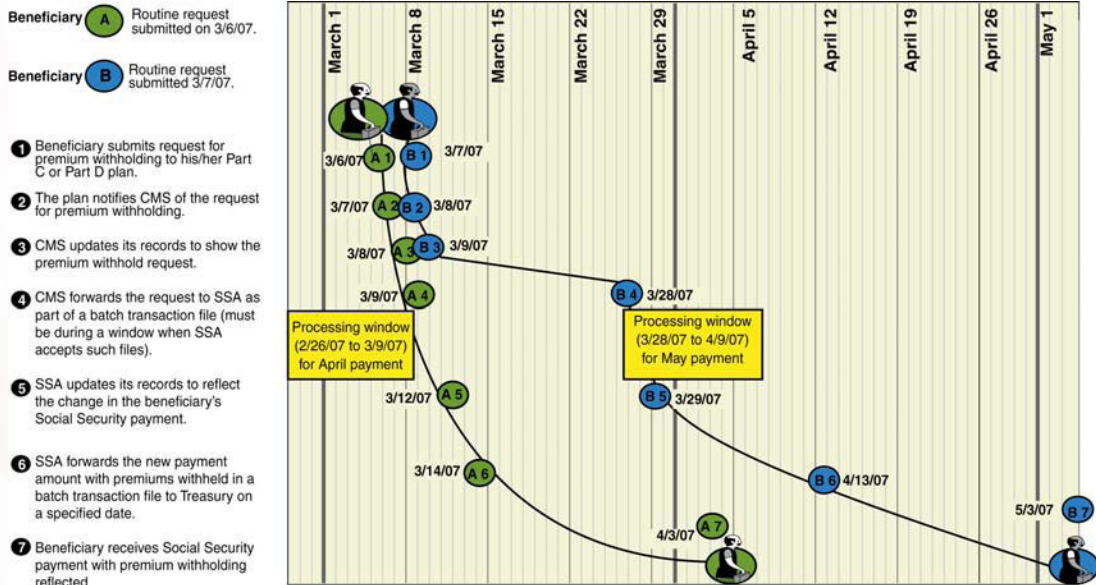
- Beneficiaries may make changes to their enrollment in Parts C or D plans during certain periods set by federal law, and—depending on when during the period they make the change—their new coverage could become effective the next month, even if the next month begins the very next day. (For example, during the annual election period (AEP), beneficiaries may join, drop, or switch Part C or D plans from November 15 through December 31 of each year, and their new coverage is effective January 1 of the following year.)
- Beneficiaries can request changes to their premium withholding at any time, with changes to take effect with the next month's payments, according to CMS policy.

The following slide illustrates how even a request submitted early in the month may miss the cut-off and not be processed by the next month's payment. When this happens, premium withholding would not be accurate for at least 1 month, and once processed, retroactive adjustments would be required for the months when the withholding was not accurate.



Problems: Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties (cont.)

Figure 4: Processing Timeline—Two Hypothetical Scenarios for a Routine Request



Source: Based on GAO analysis of SSA, CMS, and Treasury standard processing schedules. All hypothetical beneficiaries are assumed to be in the cycle 1, group 1, payment batch.



Problems: Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties (cont.)

Rejected transactions

At the first critical point for records matching, SSA data for 2006 show that almost half (44.5 percent) of the transactions CMS submitted to SSA⁷ (including repeated submissions of the same requests) were rejected by SSA's information systems. CMS acknowledges that this was due, in part, to its lack of understanding of SSA's highly-detailed data needs to successfully process a request.

The most frequent reasons for these rejections were inconsistencies between SSA and CMS databases containing Medicare enrollment data.

- In some cases, these inconsistencies would be resolved when CMS received the latest monthly record updates from SSA.
- In most cases, however, some action by CMS was required to resolve the problem.
- If no CMS action was taken to resolve the problem and the transaction still failed after repeated submissions, CMS would notify the plan to bill the beneficiary directly for their premiums.

⁷ The transactions CMS submits to SSA include Part B premium reductions and Part D low-income subsidies, as well as premium withhold requests. These transactions are batched and sent together in the same files.



Problems: Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties (cont.)

Table 2: Most Frequent Types of CMS Transaction Rejects in Calendar Year 2006	Number
CMS enrollment transaction does not match any enrollment period on SSA's database.	7,582,445
Part D plan premium amount on the CMS transaction is inconsistent with the plan data provided by CMS.	5,276,955
Enrollment dates on the CMS transaction overlap with current enrollment dates.	2,609,140
Part C Plan premium amount on the CMS transaction is inconsistent with the plan data provided by CMS.	2,204,555
Premium withholding periods on the CMS transaction overlap with the current premium withholding periods for the same plan.	1,213,408
Second enrollment transaction received from CMS without disenrolling from the former plan.	1,184,659
Plan number on the CMS transaction is invalid or missing.	1,095,446
Latest existing premium end date on the CMS transaction does not match SSA's date.	869,440
Social Security number on the CMS transaction does not match any number on SSA's database.	847,137
Enrollment transaction contains an invalid payment option.	618,153
Case identification number on the CMS transaction does not match any number on SSA's database.	605,796
Part D enhanced premium amount on the CMS transaction does not match the plan data provided by CMS.	557,179

Source: GAO analysis of SSA data.

Note: Data include CMS transactions other than premium withhold requests, and may reflect repeated submissions of the same requests. Total number of transactions processed in calendar year 2006: 60,365,024; total number rejected: 26,832,431.

Problems: Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties (cont.)

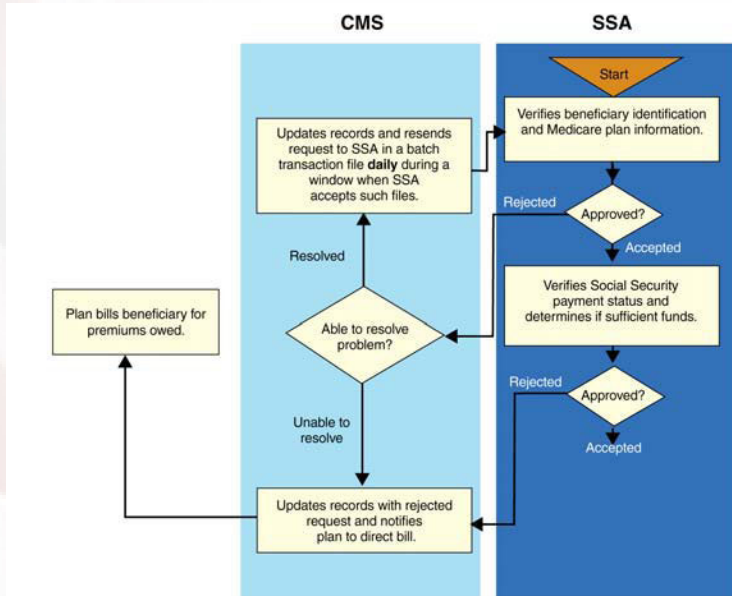


Figure 5: Cycling of Rejected Transactions

Source: GAO analysis of SSA and CMS documents.



Problems: Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties (cont.)

Discrepancies between CMS and SSA records

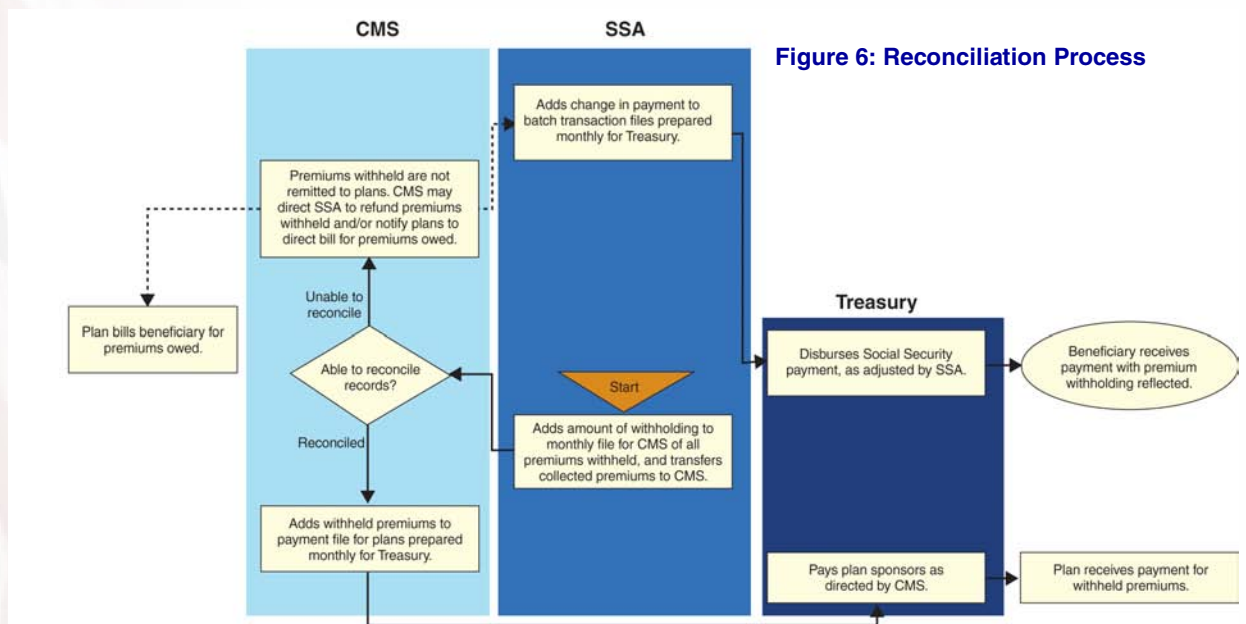
At the second critical point for records matching, CMS reconciliation data for 2006 show that, even after a request had been processed and premiums withheld, problems still occurred during CMS' reconciliation of its records of premiums owed plans with SSA's monthly file of premiums withheld.

- Premiums withheld were not remitted to plan sponsors until CMS reconciled the differences with SSA records to establish the correct amount to pay the plans. For 2006 records, this reconciliation effort was not completed until 7 months later, in July 2007.
 - In some cases, where beneficiaries had overpaid their premiums during 2006, refunds were not provided until July 2007 or later.
 - In other cases, where beneficiaries had been in withholding status, but no premiums had been withheld during 2006, CMS notified plans in July 2007 that they would need to bill these beneficiaries directly for the premiums owed.
- In the reconciliation of transactions for 2006, CMS data indicate that discrepancies were identified affecting 277,534 beneficiaries.⁸

⁸ These discrepancies were in addition to the 231,000 beneficiaries who were mistakenly identified by CMS as having paid excess premiums, noted earlier.



Problems: Beneficiaries' Requests for Parts C and D Premium Withholding Encounter Various Difficulties (cont.)



Source: GAO analysis of SSA, CMS, and Treasury documents.



Steps Taken: Despite Improved Processes, Challenges Remain

SSA and CMS have taken a number of steps to address the problems that occurred with premium withholding for Parts C and D during the first year of implementation:

- System modifications have reduced the number of rejected transactions dramatically—from 44.5 percent in 2006 to 5.3 percent in 2007;
- New policies and procedures have helped to protect and educate beneficiaries and improve the premium withholding process; and
- Individual case handling was made available to expedite resolution of critical problems.

But challenges remain with the schedule and timing of the premium withholding process, and plan sponsors and beneficiary advocates continue to voice concerns.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Modifications to information systems

CMS and SSA have implemented various system changes to improve the consistency of the data across databases. For example—

- CMS implemented an initiative referred to as a “mismatch check,” which is a monthly process that compares CMS premium withhold data to SSA’s premium withhold data in order to identify any data inconsistencies. CMS then sends a transaction to SSA to correct the mismatch. According to CMS, this initiative has had a significant impact on reducing the number of transactions rejected by SSA.
- SSA and CMS made coding changes to avoid various reasons for rejects. For example, SSA changed its edit code to eliminate the edit requirement for day of birth. Prior to this change, many transactions were rejected on this basis, even though the month and year of birth were correct, and the date was only off by a day or two. (According to SSA data, approximately 4,000 transactions were rejected in 2007 due to mismatched day of birth.)
- CMS now more readily notifies plans that they should bill beneficiaries directly for the premiums when requests for withholding have been rejected for reasons CMS cannot resolve and when discrepancies between the records of premiums paid and premiums owed cannot be reconciled.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

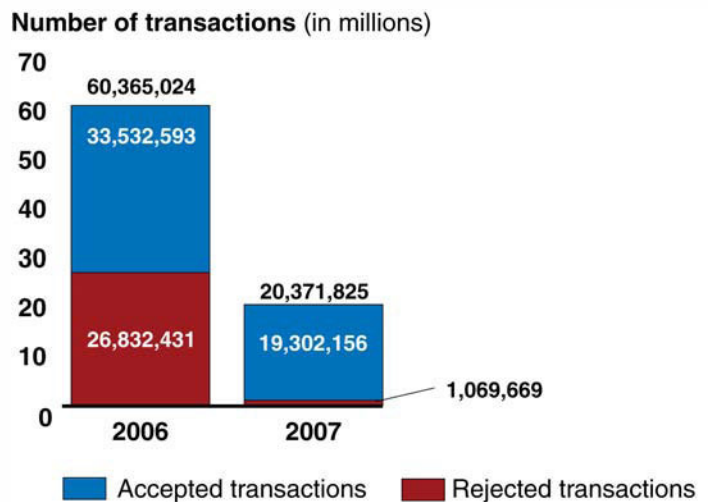
As a result of modifications made, transaction problems associated with premium withholding requests have been reduced dramatically—to just 5.3 percent in 2007.

This lower rejection rate reflects both:

- Fewer transactions (due to both fewer requests being submitted and fewer requests being cycled several times); and
- Fewer rejections.

Note: Data include CMS transactions other than premium withholding requests, and may reflect repeated submissions of the same requests.

Figure 7: Number of Rejected Transactions (2006 and 2007)



Source: GAO analysis of SSA data.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

New policies and procedures

CMS adopted various new policies and worked with SSA to develop new procedures to help protect beneficiaries and improve the processing of requests for premium withholding.

For example—

- To protect beneficiaries from having too much taken out of their Social Security payments at one time:
 - If the processing of a request for premium withholding is delayed and would require more than 3 months' retroactive adjustments, CMS will reject the request.
 - If a request for premium withholding involves accumulated premiums of over \$200, SSA will reject the request.

In such cases, CMS notifies the plan to bill the beneficiary directly for the premiums owed so that no additional premiums accrue unpaid, and payment for what is already owed can be spread out rather than deducted from a single Social Security payment.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

New policies and procedures (cont.)

- To ensure beneficiaries who had requested premium withholding continue to receive benefits even if their Part C or Part D plans have not received payment, CMS directed plans to:
 - Continue to provide coverage to these beneficiaries; and
 - Not to bill these beneficiaries directly for their premiums unless CMS notifies them specifically to do so.
- To ensure beneficiaries are informed about the length of time it could take before premium-related requests are reflected in Social Security payments:
 - The CMS online enrollment form was changed to set the payment default to direct bill and include additional detailed information on possible delays and complications related to the premium withhold payment method.
 - CMS added a sentence on its model application to inform beneficiaries that SSA deductions could take two or more months to begin.
 - CMS included information on the possible delays related to premium withholding on talking points distributed to private plans.

Note: See enclosure IV for examples of CMS forms and guidance.

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Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

New policies and procedures (cont.)

- To facilitate the processing of requests received during the AEP, held between November 15 and December 31 with changes to be effective in January:
 - CMS provides SSA with information on new Medicare premium amounts so that SSA can include these changes when processing the annual benefit rate increase for Social Security (also to be reflected in the January payment).
 - Due to the heavy workload during this time, CMS adopted a priority system for determining which changes to place on the batch transaction files sent to SSA each day during the processing window for the January payment.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

New policies and procedures (cont.)

- To prevent double-billing of beneficiaries who have requested premium withholding while those requests are being processed, and for other purposes:
 - On May 16, 2008, CMS issued proposed regulations which state that plans may not bill enrollees for premiums if they have requested that their premiums be withheld from their Social Security benefits.⁹

(The official comment period for the proposed regulations closes on July 15, 2008.)

⁹ 73 Fed. Reg. 28,556 (proposed May 16, 2008) (to be codified at 42 C.F.R. pts. 422 and 423).



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Process for individual case problem resolution

To better respond to problems concerning Parts C and D premium withholding, SSA and CMS developed a special system for handling “congressional inquiry” and “dire need” cases—such as when a beneficiary has a problem with premium withholding that is creating a financial hardship. Between July 2006 and March 2008, a total of 8,356 cases were processed using this system.

- The special handling system provides for individualized attention to resolve problems for a limited number of cases and takes advantage of Treasury’s process for accepting changes to cycle 1 payments outside of the normal processing schedule.¹⁰
- Treasury allows SSA to submit a limited number of changes to paper checks up to 8 workdays later than the first batch file due date for cycle 1 payments, and the changes can be reflected in the next month’s Social Security payment. Changes to EFTs can be submitted up to 10 workdays later, with the changes reflected in the next month’s Social Security payments. However, since SSA does not separate the batch files for paper checks from EFTs, the longer window for EFTs is not being utilized.¹¹

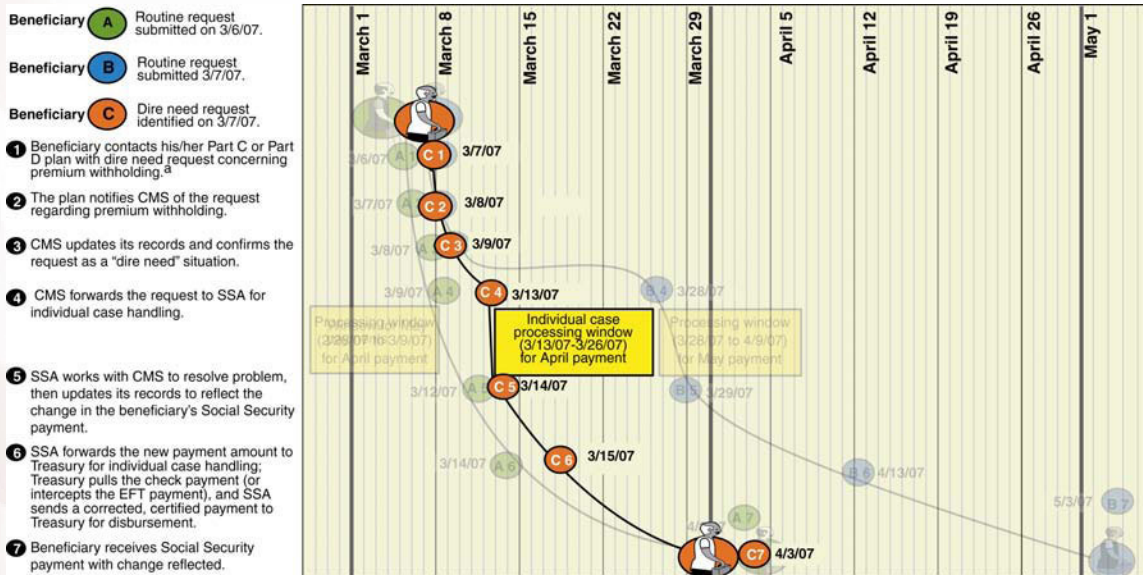
The figure on the next page illustrates how individual case handling enables processing of a transaction in between the normal processing windows for routine requests.

¹⁰ Because the files for cycle 2, 3, and 4 payments are submitted to Treasury 1 week before the payment date, there is no process for placing holds or reissuing corrected payments.

¹¹ As of January 2008, about 85% of the cycle 1 payments were EFTs and about 92% of the payments for cycles 2, 3, and 4 were EFTs, according to SSA data.

Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Figure 8: Impact of Special Handling on Processing Timeline Illustrated in Figure 4



Source: Based on GAO analysis of SSA, CMS, and Treasury standard processing schedules and special handling provisions. All hypothetical beneficiaries are assumed to be in the cycle 1, group 1, payment batch.

^a A dire need request may also be identified through the Social Security 800 number, website, or field office.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)



Source: Department of Treasury, April 2008.

The individual case handling process takes advantage of the extended window Treasury provides to place holds on a limited number of payments and replace them in time for next month's payments.

- Treasury can manually pull a printed check and reissue a new one.
- Treasury can place an electronic hold on an EFT and process a new payment.

In fiscal year 2007, Treasury placed holds on over 2.3 million Social Security payments.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Challenges remain

Despite the steps taken, challenges remain due to the schedule and timing of the premium withholding process:

- The schedule for batch processing during certain specified intervals, with files sent to Treasury on certain specified dates, has resulted in a system that, unless a premium withholding request is received during the first week of the month, it cannot be processed in time to be reflected in the next month's Social Security payment.
- The timing of the AEP, when beneficiaries can join, drop, or make changes to their enrollment in Part C and Part D plans, overlaps with the processing of annual updates to Medicare premium amounts and Social Security benefits. The current practice of making premium adjustments presumptively—assuming beneficiaries will not switch plans, then making changes later if they do switch plans—can create added workload for the agencies when beneficiaries make changes in the last half of the AEP.

Making presumptive adjustments may be a better option than disenrolling beneficiaries from their plans, which could lead to a gap in coverage. However, it can also lead to confusion for plans and beneficiaries when premiums are withheld for a plan that the beneficiary did not choose.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Challenges remain (cont.)

The following series of slides illustrates an actual case example of how the processing of multiple actions during the AEP overlapped and extended the length of time before the correct premiums were withheld from the beneficiary's Social Security payment.

The three actions that took place in this case were as follows:

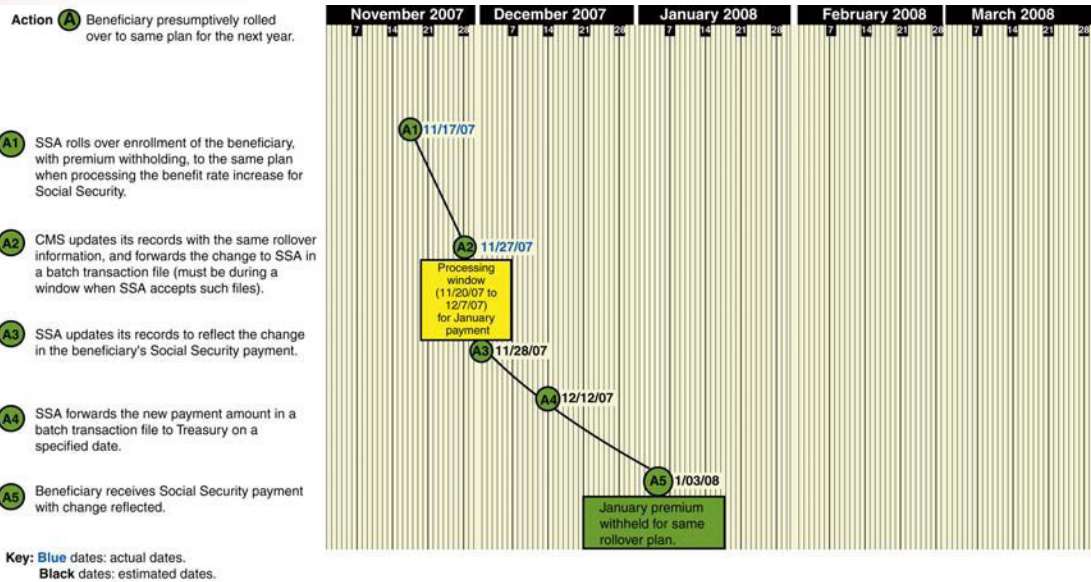
- On 11/17/07, SSA rolled over the beneficiary's enrollment for January 2008 in the same plan, with premium withholding, when processing the annual increase for the beneficiary's Social Security payment.
- On 12/13/07, the beneficiary submitted a request to switch plans, to be effective in January 2008.
- On 12/26/07, the new plan discovered it had inadvertently submitted the request without premium withholding, and it submitted a corrected request.

Because of the way the system works, the correct premium amount was not reflected until the beneficiary's March 2008 Social Security payment, and retroactive adjustments to correct for 2 months of inaccurate withholding needed to be included.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Figure 9A: One Case Example of Processing Changes during the AEP

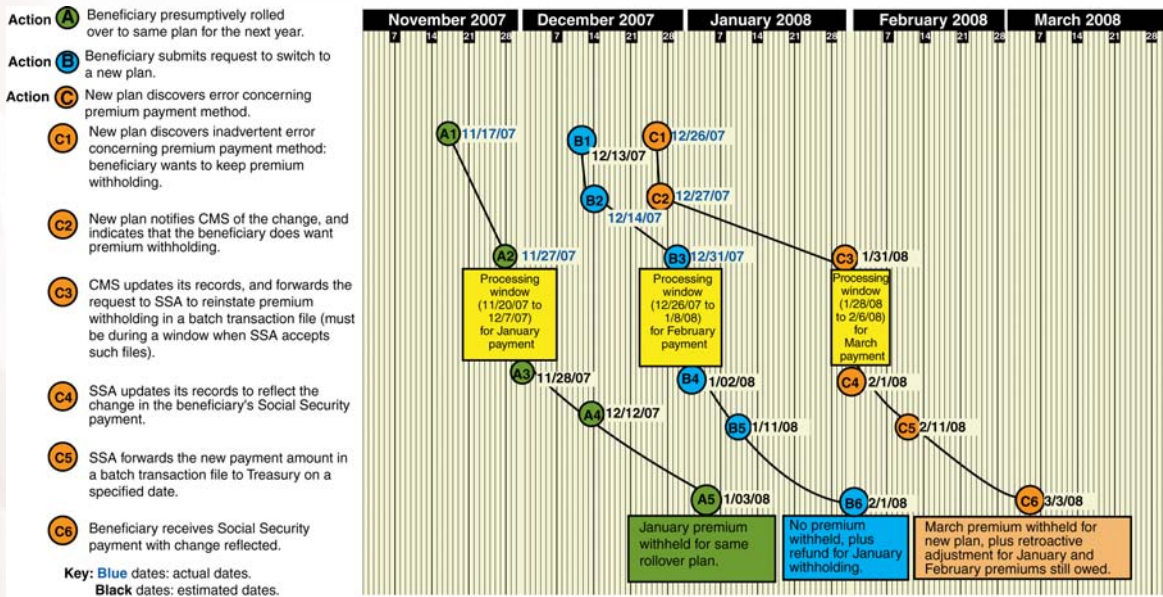


Source: Based on case example data provided by CMS and GAO analysis of SSA, CMS, and Treasury standard processing schedules. The beneficiary is assumed to be in the cycle 1, group 1, payment batch.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Figure 9C: One Case Example of Processing Changes during the AEP



Source: Based on case example data provided by CMS and GAO analysis of SSA, CMS, and Treasury standard processing schedules. The beneficiary is assumed to be in the cycle 1, group 1, payment batch.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Continuing concerns

Premium withholding can make paying premiums easier for both beneficiaries and insurance plans. But beneficiary advocates and private plan sponsors continue to voice concerns about the problems associated with processing requests for premium withholding.

- From February 2007 (when premium withholding complaints began to be specifically tracked) through October 2007, 46,445 (approximately 18 percent) of the total complaints filed with CMS were related to problems beneficiaries experienced with premium withholding.¹²
- The plan sponsors and beneficiary advocates we spoke with cited advantages to premium withholding, such as convenience and consistency of coverage for vulnerable populations. At the same time, sponsors and advocates continued to voice concerns about the length of time it takes to process a request for premium withholding and the difficulties it has caused some beneficiaries.
- Although the percentage of beneficiaries with premium withholding grew between January 2006 and January 2007, the portion using this payment method took a slight downturn by January 2008.

¹² GAO is currently conducting a study of Medicare beneficiary complaints, with publication scheduled for summer 2008.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Continuing concerns: Plan sponsor and beneficiary advocate perspectives

Plan sponsors told us:

- Premium withhold provides security for members such as those who are hospitalized and worried about making payments.
- Although premium withhold is less expensive for plans to administer than direct bill, problems may be too numerous to justify this payment option.
- Timeliness is a major issue for both plans and members. The variety of problems arising from delays and time lags is a "nightmare".
- These critical problems bring unwanted negative attention and blame onto the plans.
- The premium withhold process is flawed and needs to be repaired or eliminated.

Source: Interviews with eight private plan sponsors providing coverage to about half of all Part C and/or Part D beneficiaries nationwide.

Beneficiary advocates told us:

- That the process should be repaired, not eliminated; vulnerable segments of the population would receive potential benefits if process functioned correctly.
- Beneficiaries with mental disabilities may have difficulty making regular payments on their own, and this option helps keep their coverage current.
- Some beneficiaries do not have bank accounts or have problems keeping accurate records.
- Despite potential benefits, the current problems with premium withholding keep them from encouraging its use.

Source: Interviews with the Center for Medicare Advocacy, Inc., and the Medicare Rights Center.



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Continuing concerns: Plan sponsor changes to enrollment forms

One plan we spoke with had removed the premium withhold payment option as a check-off box on its enrollment form, making it a more onerous option for the enrollee to select (see below). Officials from this plan told us that they made this change, with CMS approval, in response to problems associated with premium withholding, and that the election of premium withholding is now only possible post-enrollment. (Plans are required to submit all materials related to the on-line enrollment process to CMS for approval.)

5. Please Select Your Premium Payment Option

Step 5 of 9

* Indicates required information

You can pay your monthly plan premium by mail or by Electronic Funds Transfer (EFT) each month. After your coverage takes effect, you can also choose to pay your premium by automatic deduction from your Social Security check each month. If you are interested in other payment options, please contact us at 1-888-832-0075, 8 a.m. to 8 p.m. daily, Central and Mountain Time (TTY/TDD: 1-800-693-3819).

*Please select your payment option:

- Paper bill
- Electronic Funds Transfer ([complete EFT form](#))

NOTE: If you qualify for extra help with your Medicare prescription drug coverage costs, Medicare will pay all or part of your plan premium. If Medicare pays only a portion of this premium, we will bill you for the amount that Medicare does not cover. Generally, you must stay with the option you choose for the rest of this year. If you don't select a payment option, you will receive a bill each month.

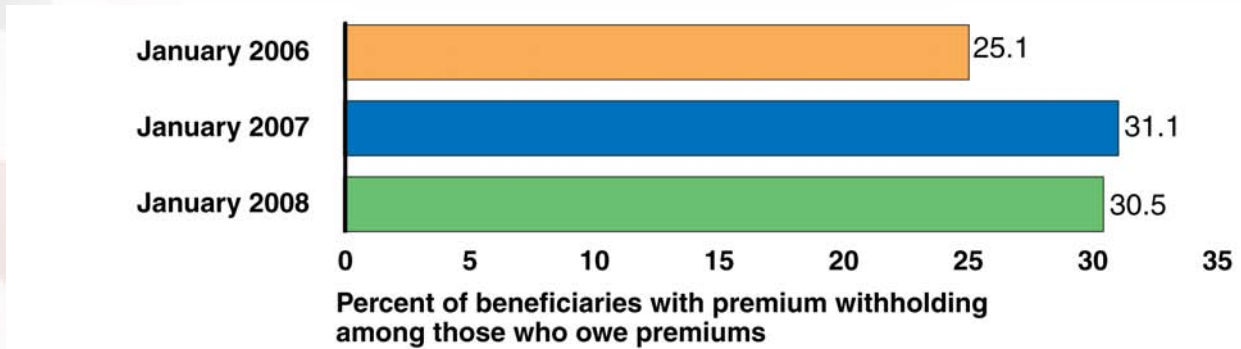
[Previous](#) [Continue](#)

Source: <http://www.yourmedicareolutions.com> (highlighting added).



Steps Taken: Despite Improved Processes, Challenges Remain (cont.)

Figure 10: Trends in Parts C and D Premium Withholding



Source: GAO analysis of CMS data.



Conclusions

Premium withholding can provide beneficiaries a convenient way to pay their Medicare premiums and, at the same time, can lessen plan sponsors' administrative burden of collecting premiums. Yet beneficiaries are being discouraged from using this payment method because of continuing problems processing requests.

The fundamental characteristics of the Part C and Part D programs make withholding these premiums a complex process, and in 2006, during the first year of implementation, SSA and CMS encountered many difficulties. Since then, SSA and CMS have made considerable progress in working together to solve problems and to reduce the delays in processing. Nevertheless, significant challenges remain with SSA's limited window for processing requests (which is driven by Treasury's schedule) and the statutorily-required dates of enrollment periods.

Enclosure II: Overview of the Medicare Program

Medicare is a health insurance program for people aged 65 years or older who are eligible to receive Social Security benefits; certain people under aged 65 years with disabilities; and people of all ages with end-stage renal disease (i.e., permanent kidney failure). A description of the four parts of the Medicare Program follows with further details in table 1.

Part A: Hospital Insurance

Part A provides for a fee-for-service insurance program run by the federal government that helps cover inpatient care in hospitals and skilled nursing facilities, and some home health services and hospice care. Most people do not pay a premium for Part A because they or a spouse earned this coverage through their employment by paying payroll taxes for at least 10 years.

Part B: Supplementary Medical Insurance

Part B provides for a fee-for-service insurance program run by the federal government that helps cover visits to doctors, outpatient care, and other services not covered under Part A. Those eligible for Part A can choose to enroll in Part B. Those who enroll generally are required to pay a monthly premium. However, certain beneficiaries who are also eligible for Medicaid (“dual-eligibles”) may have their Part B premium paid by their state Medicaid program. Premium rates are set annually.

Part C: Medicare Advantage Plans

Part C provides for health plans that are approved by CMS, but are run by private companies. These plans must cover at least all of the medically necessary services that Parts A and B provide for enrollees entitled to benefits under both parts. They also generally offer extra benefits, and many offer Part D drug coverage. Most beneficiaries eligible for Part A and enrolled in Part B can choose to enroll in a Part C plan, instead of the fee-for-service, government-run plan. Part C plans include Medicare-preferred provider organization plans, Medicare health maintenance organization plans, Medicare private fee-for-service plans, Medicare special needs plans, and Medicare medical savings account plans. Costs vary by plan, and some plans charge a monthly premium in addition to the Part B premium.

Part D: Prescription Drug Coverage

Part D provides for plans approved by CMS, but run by private companies that offer coverage for prescription drug costs not covered under Parts A or B. Medicare beneficiaries can choose to participate in a Part D plan—either as an option under their Part C plan or in a stand-alone plan. Those who participate are generally required to pay a monthly premium. However, certain low-income Medicare beneficiaries may qualify for “extra help” from the Part D low-income subsidy program or State Pharmacy Assistance Programs. Premium rates vary widely by plan.

Enclosure II: Overview of the Medicare Program

Table 1: Overview of the Medicare Program

	Part A: Hospital Insurance	Part B: Supplementary Medical Insurance	Part C: Medicare Advantage Plans	Part D: Prescription Drug Coverage
Participation	Automatic for most: Eligibility is based on Social Security eligibility.	Optional: Those eligible for Part A can choose to enroll in Part B.	Optional: Eligibility generally is based on eligibility for Part A and enrollment in Part B.	Optional: Eligibility is based on eligibility for Part A or enrollment in Part B.
Insurer	Federal government	Federal government	Private plans	Private plans
Coverage	Helps cover inpatient care in hospitals and skilled nursing facilities, and some home health services and hospice care.	Helps cover visits to doctors, outpatient care, and other services not covered under Part A.	Same coverage as provided under Parts A and B, plus coverage for enhanced services also generally offered.	Helps cover prescription drug costs not covered under Parts A and B.
Premium amounts in 2008	Most pay no premium; funded by payroll taxes of current workers. ^a	Standard amount: \$96.40 per month in 2008 (plus an added increment for certain beneficiaries, such as late enrollees and high-earners). ^d	Varies by plan and may be more or less than the Part B premium, depending on the benefits offered by the plan. ^c	Varies by plan (monthly premiums ranged from \$0 to \$107.50 in 2008). ^b
Enrollment as of January 2008	44,005,633	40,676,927 ^e	9,224,895	24,924,796 ^f
Percentage of beneficiaries with withholding	(no withholding) ^a	80% ^e	5%	19% ^f

Source: GAO analysis of agency documents, data, and federal laws and regulations.

^aA small number of Medicare beneficiaries are not entitled to Part A, but may purchase the benefit by paying premiums (\$423 per month in 2008). Because these beneficiaries also are not entitled to Social Security, withholding is not an option.

^bCertain beneficiaries may have their Part D premiums subsidized in various ways, such as under the federal Low-Income Subsidy program, by a State Pharmacy Assistance Program; by third-party payers, such as employers and unions; or by their Part C plans (see note d).

^cWhen a beneficiary chooses to enroll in a Part C plan, the Part B premium is paid to the Part C plan. Thus, the same subsidies described in note d may also apply to certain Part C beneficiaries.

^dCertain beneficiaries may have their Part B premiums subsidized in various ways, such as by a state Medicaid program; by third-party payers, such as employers and unions; or by their Part C plans (referred to as a Part B reduction). Under the MMA, some Part C plans may receive rebates that they can use to provide their beneficiaries with additional benefits, reduce premiums, and/or reduce cost sharing. For more on Part C rebates, see GAO, *Medicare Advantage: Increased Spending Relative to Medicare Fee-for-Service May Not Always Reduce Beneficiary Out-of-Pocket Costs*, GAO-08-359 (Washington, D.C.: Feb. 22, 2008).

^eThese Part B numbers include those who have opted to join a Part C plan, and their Part B premiums are paid to the Part C plan. Thus, there is overlap in the numbers and percentages for Parts B and C.

^fThese Part D numbers include those enrolled in a Part C plan that provides Part D benefits as well as those enrolled in a Part D stand-alone plan. Thus, there is overlap in the numbers and percentages for Parts C and D.

Enclosure III: Key Systems and Data Processing Transactions Involved in Withholding Medicare Premiums

The Centers for Medicare & Medicaid Services (CMS) and the Social Security Administration (SSA) use the same information systems within their agencies to process Parts B, C, and D premium withholdings. The agencies' systems interact both daily and monthly to ensure that the correct premium amounts are withheld from beneficiaries' Social Security payments. The agencies exchange batch transaction files within specified dates each month.

While the same information systems are used within each agency to process Parts B, C, and D withholdings, fewer data processing transactions are required to process Part B withholdings than are required to process Parts C and D withholdings. All announced Part B premium amounts are determined by CMS each September and automatically withheld by SSA.¹ CMS only provides premium adjustment amounts to SSA, such as when state Medicaid programs pay the premium, or when there is a reduction for participation in certain Part C plans. Data are sent daily and monthly from SSA in batch files to notify CMS of beneficiaries' Part B premium withholding status so that CMS can update its Medicare database.

In contrast, for Parts C and D, premium withholding is initiated only at the request of beneficiaries through their plan sponsors. The plan sponsors forward the withholding requests to CMS. Then, during a certain specified window, data are exchanged daily between SSA and CMS for SSA to process the requests. Therefore, SSA and CMS databases must be consistent to correctly process withholdings for Parts C and D; otherwise, data inconsistencies between the systems could result in rejected transactions. Once the correct premium withholding amounts for Medicare Parts B, C, and D are determined and processing by the CMS and SSA systems is complete, the adjusted Social Security payment amounts are sent to the Department of the Treasury (Treasury). Treasury then processes and disburses monthly Social Security payments reflecting the change for premium withholding. Data are also exchanged monthly for CMS to reconcile its Medicare database with SSA's data on premiums

¹Before SSA withholds Part B premiums, data are sent to the Internal Revenue Service (IRS) to determine if an "Income Related Monthly Adjustment" amount should be added to the standard Part B premium (see footnote 2 in this enclosure). For individuals who file for Medicare (not already on the rolls and receiving Social Security benefits), Social Security officials noted that they charge the standard premium until information from IRS is received. If an added amount is required, SSA makes adjustments to the Part B premium retroactively.

withheld and to compute amounts to be paid to the Parts C and D plan sponsors.

Information Systems

Prescription plan sponsors use information systems to exchange data with CMS, including beneficiary requests for withholding Parts C and D premiums. CMS, SSA, and Treasury use information systems to support the processing of Medicare Parts B, C, and D premium withholdings. A description of the key system components used to support the premium withholding process follows.

Plan Sponsors' Information Systems

Medicare Advantage and Prescription Drug plan sponsors (totaling over 800) use a variety of systems and methods to provide Medicare Parts C and D premium withholding requests to CMS.

CMS' Information Systems

- *Medicare Advantage and Prescription Drug (MARx) system:* This system is CMS' system of record that maintains all data related to beneficiary enrollments and premiums and plan payments.
- *Premium Withhold Subsystem (PWS):* This system compares the actual withholding reported by SSA with the expected withholding for each beneficiary reported by MARx/PWS. Additionally, the PWS provides the data required by CMS' main accounting system for CMS payment of withheld premium funds to the plan sponsors.
- *Medicare Advantage and Prescription Drug (MARx)/PWS system:* This system transmits initial enrollment and premium records to SSA, sends updated information to SSA when changes occur, and receives acknowledgments and updates from SSA. MARx/PWS notifies the plan sponsors when withholding transactions have been sent to SSA for processing and when the processing results are returned from SSA.
- *Automated Plan Payment System (APPS):* This is CMS' main accounting system used to provide data to CMS' FACS system (see below), which is used to transmit data to Treasury.
- *Financial Accounting and Control System (FACS):* This is CMS' system that interfaces with Treasury for payments to plan sponsors.

**SSA's Information
Systems**

- *Master Beneficiary Record (MBR)*: This database receives all actions related to enrollment and premium withholding from Social Security payments. MBR data are updated daily upon successful processing of the daily input transactions.
- *Medicare Database (MDB)*: This database is used for the collection and maintenance of information related to Medicare, including beneficiaries' enrollment and premium withholding information.
- *SSA Title 2 System*: This system is used to compute the amount of beneficiary payments, including adjustments for premium withholdings, using data from SSA's MDB.
- *Medicare Day 1 Editing Application*: This system receives transaction files from CMS and performs edits to verify transaction data, such as beneficiary identification, plan information, and coverage period. Transactions that pass the Day 1 editing process are used to update the MDB.
- *Medicare Day 2 Editing Application*: This system performs transaction editing to ensure that sufficient benefit payments are available to cover the premium payments. Transactions that pass the Day 2 editing process are used to update the MBR and the MDB with the premium withholding amounts. The premium withholding data are used for the monthly accounting exchange with CMS.

**Treasury's Information
Systems**

- *Financial Management Services (FMS) Applications*: FMS uses two applications—the third-of-the-month application and the cycling application—to process monthly SSA benefit payments during four payment cycles. These systems are relied on to process and disburse SSA benefit payments, including adjustments to SSA benefit payments for Medicare premium withholdings. Cycle 1 payments are generated for receipt as third-of-the-month payments each month, and cycles 2, 3, and 4 payments are generated for receipt by a smaller number of SSA beneficiaries later in the month, on the 2nd, 3rd, or 4th Wednesday.
- *Intra-governmental Payment and Collection (IPAC) System*: This is Treasury's system that SSA uses to transfer withheld premiums to CMS.

**Part B Premium
Withholding**

Premiums for Medicare Part B are automatically withheld from a beneficiary's monthly Social Security benefit payment, unless the beneficiary chooses not to enroll in Part B or the Social Security payment

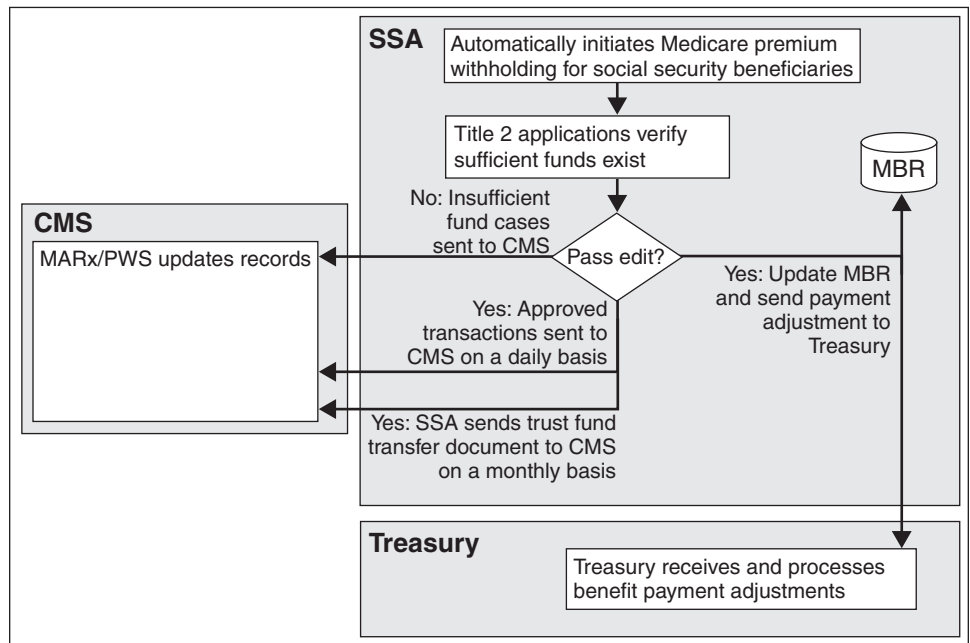
**Enclosure III: Key Systems and Data
Processing Transactions Involved in
Withholding Medicare Premiums**

amount is insufficient (or there is no payment). SSA determines the correct premium to apply and automatically withholds Part B premiums from the beneficiary's monthly Social Security payment.² SSA also provides the changed monthly payment information to CMS and Treasury's FMS.

The process for withholding Medicare Part B premiums from a beneficiary's monthly Social Security payment requires few steps. Specifically, the process begins when SSA enrolls the beneficiary in Medicare Part B and ends when Treasury withholds the premium amount from the beneficiary's payment and deposits the funds into the CMS trust funds. Figure 1 and the narrative that follows provide an overview of the key information systems and steps completed in withholding Part B premiums from a beneficiary's Social Security payment.

²The standard premium amount for Medicare Part B in 2008 is \$96.40. However, the Medicare Modernization Act of 2003 changed how Part B premiums are calculated for some higher-income beneficiaries. Beginning in 2007, beneficiaries with incomes above a certain level, adjusted annually, pay a larger percentage of their Part B premium. In 2008, single individuals with incomes over \$82,000, and married individuals with joint incomes over \$164,000 are required to pay the higher premiums. To calculate the premiums for these higher-income beneficiaries, SSA obtains income data from IRS. However, most Medicare beneficiaries are not higher-income and so are not affected.

Figure 1: Key Systems and Steps Used to Withhold Medicare Part B Premiums



Source: GAO analysis of CMS, SSA, and Treasury data.

Detailed steps for withholding Part B premiums:

1. When a beneficiary is enrolled in Part B, SSA takes steps to withhold the Part B premium from the beneficiary's Social Security payment automatically after determining, on the basis of data from IRS, whether an Income Related Monthly Adjustment Amount is required.
2. SSA's Title 2 application processes the Medicare Part B withholding transaction to ensure that the Social Security payment is available and sufficient to cover the premium.
3. SSA's Title 2 application updates SSA's MBR with the Medicare Part B data, and begins premium withholdings. The application also notifies the beneficiary and CMS to update its records of the enrollment and the amount withheld to cover the Part B premium. If the premium cannot be withheld from the Social Security payment, SSA notifies CMS to bill the beneficiary directly.
4. SSA's Title 2 system transmits the revised Social Security payment amounts to Treasury on specified dates during SSA's operating month.

5. SSA's Title 2 system produces reports for SSA's Office of Budget, Finance and Management. These reports, as well as data from CMS, are used to prepare a trust fund transfer document, which is forwarded to CMS at the end of the operating month.³ The document identifies the Part B premium amounts that have been transferred from SSA's trust funds to CMS trust funds.

Parts C and D Premium Withholding

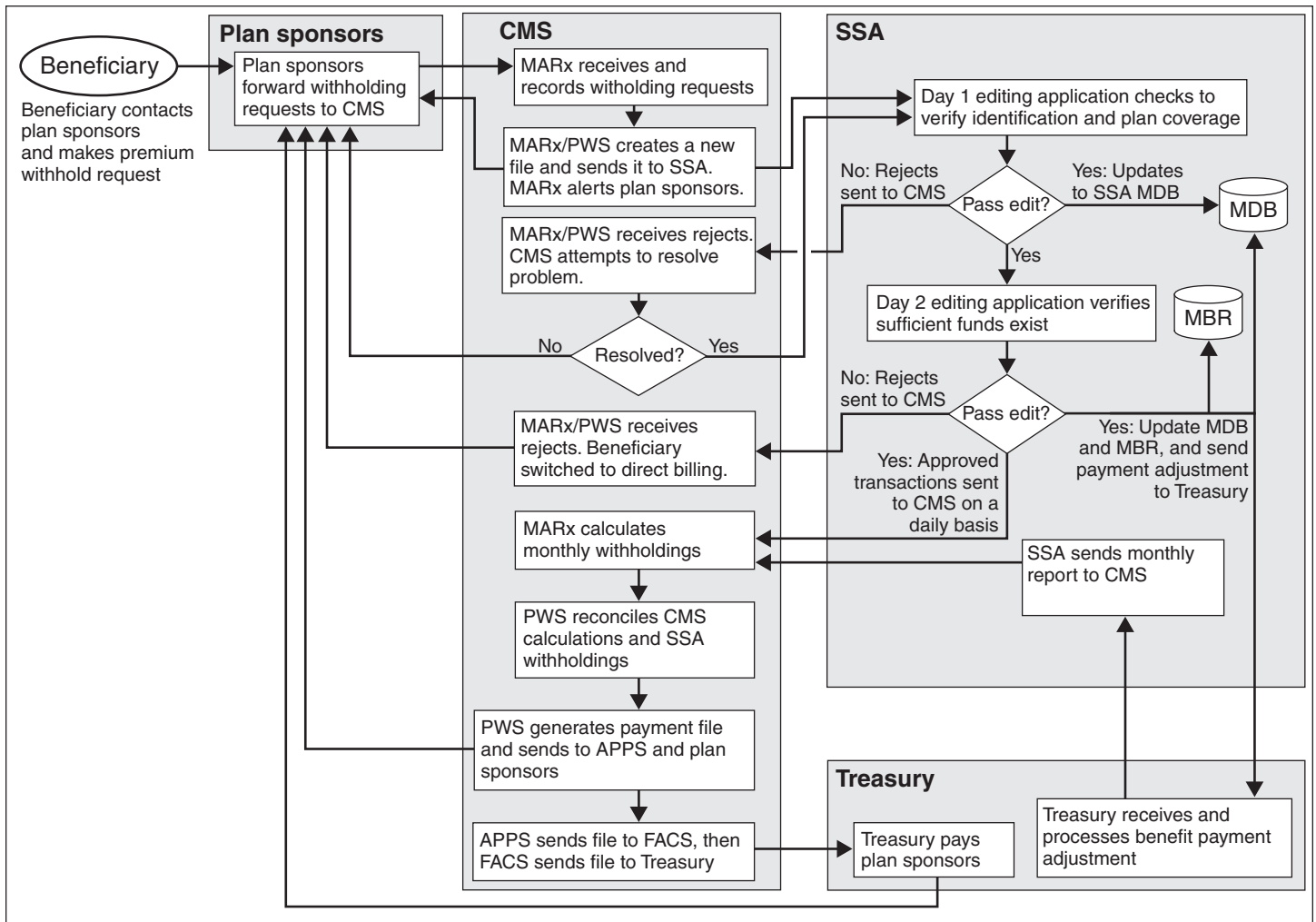
When beneficiaries elect to have their Medicare Parts C and D premium payments withheld from their monthly Social Security payments, multiple entities must work together to ensure that correct premium amounts are withheld. Medicare Advantage (Part C) plans and Prescription Drug Coverage (Part D) sponsors are required to notify CMS when beneficiaries elect to have premiums withheld. CMS is responsible for forwarding the information to SSA, which then processes premium withholdings from the beneficiaries' payments. SSA provides the changed payment information to Treasury's FMS and the monthly premium withholdings to CMS. CMS then submits a payment file to Treasury, and Treasury initiates wire transfers to the plan sponsors.

The process of withholding Medicare Parts C and D premiums from beneficiaries' monthly Social Security payments requires many steps. Specifically, the process begins when beneficiaries select plans and notify their plan sponsors that they want their premiums withheld, and ends when Treasury pays the plan sponsors based on data provided by CMS. Figure 2 and the narrative that follows provide an overview of the key information systems and steps completed in withholding Parts C and D premiums from a beneficiary's Social Security payment.

³In some cases, CMS may send SSA changes that affect Part B premium withholdings, such as when state Medicaid programs pay the Part B premiums, or when beneficiaries enroll in certain Part C plans. These changes are processed using the same key systems identified for Parts C and D premium withholdings, as noted previously.

Enclosure III: Key Systems and Data Processing Transactions Involved in Withholding Medicare Premiums

Figure 2: Key Systems and Steps Used to Withhold Medicare Parts C and D Premiums



Source: GAO analysis of CMS, SSA, and Treasury data.

Detailed steps for withholding Parts C and D premiums:

1. A beneficiary contacts the plan sponsor and elects to have the Part C or D premium withheld from his or her monthly Social Security payment.
2. The plan sponsor submits the beneficiary's premium withholding request to CMS' MARx system, which transmits the information to MARx/PWS.

3. MARx/PWS creates and transmits a daily file to SSA (during the window when SSA accepts such files) that contains new premium withholding transactions. MARx alerts the plan sponsor that the transaction has been sent to SSA.
4. SSA's Day 1 editing application performs edits on the transaction to verify the beneficiary's identification and plan coverage. Transactions that pass SSA's Day 1 edits are updated in SSA's MDB and then sent to SSA's Day 2 editing application for further processing. Transactions that do not pass Day 1 edits are rejected and included on a response file that is sent to CMS within 48 hours.
5. MARx/PWS receives the rejected transactions, and CMS attempts to resolve the problem. If the problem is resolved, the corrected transaction is sent back to SSA. If the problem is not resolved, the transaction is sent back to the plan sponsor to direct bill for the premiums.
6. SSA uses its Day 2 editing application to perform edits to ensure that the Social Security payment is available and sufficient to cover the premiums. Transactions that pass SSA's Day 2 processing are updated in SSA's MBR and MDB and are sent to CMS, and SSA mails notices to beneficiaries on the payment adjustments due to premium withholdings. Medicare Parts C and D transactions that do not pass Day 2 processing are sent back to CMS through MARx/PWS. CMS then notifies plan sponsors that they should direct bill for the premiums.
7. SSA transmits benefit payment adjustments to Treasury on specified dates, by payment cycle, that reflect Medicare Parts C and D premium withholdings.
8. Treasury receives and processes the payment adjustments and notifies SSA. Afterwards, SSA sends CMS a file containing Medicare Parts C and D premium withholdings for the month and transfers the withheld premiums to CMS via IPAC.
9. MARx/PWS calculates the monthly Medicare payment for each plan, adjusting payments for premium withholdings for each beneficiary. PWS then performs a monthly comparison of the actual amounts withheld by SSA with the calculated (expected) amount in MARx/PWS. If no discrepancy is identified, PWS adds the withheld amounts to the total plan payment to be included on the payment files passed to the APPS and reported to the plan sponsors. If a discrepancy is identified, the collected funds remain with CMS until the discrepancy is resolved.

**Enclosure III: Key Systems and Data
Processing Transactions Involved in
Withholding Medicare Premiums**

10. APPS sends the payment file to FACS, then FACS sends the file to Treasury for payment to plan sponsors.

Enclosure IV: CMS Forms and Guidance on Premium Withholding

Since 2006, CMS has implemented changes to its Part D online enrollment form and has provided guidance to plan sponsors that addresses the length of time it may take before Parts C and D premium withholding requests are reflected in beneficiaries' Social Security payments.

CMS Part D Online Enrollment Form

In November 2006, CMS set its Part D online enrollment form's payment method default to direct bill and added advisory language regarding premium withholding. The initial screen a beneficiary now sees concerning payment options is illustrated below.

Your Plan Premium Payment Option:

You can pay your Medicare drug plan directly for your monthly premium, or have the monthly premium automatically deducted from your Social Security check. If you choose to pay directly, you can pay by mail or by electronic Funds Transfer (EFT). Generally you must stay with the option you choose for the rest of the year.

If you qualify for extra help with your Medicare prescription drug coverage costs, Medicare may cover all or some portion of your plan premium. Please choose if you want to pay your remaining premium, if there is any, directly to your plan.

Do you want to pay your premium directly to your plan (this can include an automatic monthly deduction from your bank account)? Yes No

If you currently have Medicare drug plan premiums withheld from your Social Security benefit: Please be advised that it may take up to two or three months before deductions for your old plan stop. This means that you may have two or three monthly premiums from your old plan withheld from your Social Security benefit until the deductions stop. When the deductions stop, you will receive a refund for the premiums that were withheld for your old plan.

Source: <http://www.medicare.gov>.

If beneficiaries want to select the premium withholding option, they must click the "No" button and then the screen appears as shown on the next page.

Your Plan Premium Payment Option:

You can pay your Medicare drug plan directly for your monthly premium, or have the monthly premium automatically deducted from your Social Security check. If you choose to pay directly, you can pay by mail or by electronic Funds Transfer (EFT). Generally you must stay with the option you choose for the rest of the year.

If you qualify for extra help with your Medicare prescription drug coverage costs, Medicare may cover all or some portion of your plan premium. Please choose if you want to pay your remaining premium, if there is any, directly to your plan.

Do you want to pay your premium directly to your plan (this can include an automatic monthly deduction from your bank account)? Yes No

You have chosen "NO" and agree to have the monthly premium for this Medicare drug plan automatically deducted from your Social Security benefit. Please be advised that it may take up to two or three months before deductions begin.

If it takes two months for deductions to begin, two monthly premiums will be withheld in a lump sum from your Social Security benefit.

If it takes three months for deductions to begin, three monthly premiums will be withheld in a lump sum from your Social Security benefit. You will never have a deduction that is more than three months worth of premiums.

If you currently have Medicare drug plan premiums withheld from your Social Security benefit: Please be advised that it may take up to two or three months before deductions for your new plan begin. This means that you may have two or three monthly premiums from your old plan withheld from your Social Security benefit until the deductions begin. When the deductions begin for your new plan, there will be an adjustment for any premiums withheld from your old plan, as well as the deduction for your new plan.

If you have assistance other than extra help from SSA or your State Medicaid: When another organization, such as a State Pharmacy Assistance Program, pays a portion of your drug plan premium and you choose to have automatic premium withholding from your SSA benefits, the entire premium amount will be deducted. Your drug plan will then send you a refund for the overpayment of premiums. If you do not wish to have the entire premium deducted from your SSA benefits, you can choose to pay any balance for your premium directly to the plan (this will mean you would pay only your portion of the premium and the other organization would pay its portion).

Are you sure you want to have your premiums automatically deducted from your Social Security check? If you choose "No" the plan will send you a bill each month, which you can pay by mail or by electronic funds transfer (EFT). Please select an answer below:

Yes No

Source: <http://www.medicare.gov> (highlighting added).

After the "No" button is selected, the text on the form expands to include the cautionary language highlighted above. To elect the premium

withholding option, beneficiaries now must click on “Yes” at the bottom of the screen.

**CMS Guidance to
Plans on Premium
Withholding**

In 2007, CMS made changes to the model enrollment application form provided in its guidance to plans. Earlier, during 2006, CMS had provided a new call center script and other materials concerning the selection of the premium withholding payment option.

**Model Enrollment
Form: Payment Method
Section**

Below is the section from the CMS model enrollment application form that was provided to private plans in June 2007. The highlighted portion indicates the new cautionary language that was added to the form.

Paying Your Plan Premium

You can pay your monthly plan premium by mail <insert optional methods: “**Electronic Funds Transfer (EFT)**”, “**credit card**”> **each month** <insert optional intervals, if applicable, for example “**or quarterly**”>. **You can also choose to pay your premium by automatic deduction from your Social Security Check each month.**

If you qualify for extra help with your Medicare prescription drug coverage costs, Medicare will pay all or part of your plan premium. If Medicare pays only a portion of this premium, we will bill you for the amount that Medicare does not cover.

If you don't select a payment option, you will receive a bill each month <optional language in place of “bill each month”: “coupon book” or “payment book”>.

Please select a premium payment option:

- Receive a bill <option: “coupon”, “payment” book, etc>
<option to include other billing intervals e.g. bi-monthly, quarterly>*

<Include other optional methods, such as EFT & credit card as follows:

- Electronic funds transfer (EFT) from your bank account each month. Please enclose a VOIDED check or provide the following:*

Account holder name: _____

Bank routing number: _____ Bank account number: _____

Account type: Checking Saving

- Credit Card. Please provide the following information:*

Type of Card: _____

Name of Account holder as it appears on card: _____

Account number: _____

Expiration Date: __/__/____ (MM/YYYY)>

- Automatic deduction from your monthly SSA benefit check. (The SSA deduction may take two or more months to begin. In most cases, the first deduction from your SSA benefit check will include all premiums due from your enrollment effective date up to the point withholding begins.)*

Source: CMS.

**Enclosure IV: CMS Forms and
Guidance on Premium
Withholding**

Other CMS Materials

In the spring of 2006, CMS provided plans with a new call center script and other materials to assist with responding to beneficiary questions regarding premium withholding.

Call Center Script

CALL CENTER SCRIPT – SSA PREMIUM WITHHOLD

I asked that my prescription drug plan premiums be withheld from my Social Security benefit but they haven't been deducted yet. Can you tell me what is happening?

Generally it takes two months before premiums are withheld from your Social Security benefit payment. Two months worth of premiums will be withheld from the first payment and after that a single monthly premium will be withheld each month.

Sometimes there are problems with the information sent to Medicare or Social Security to withhold the premiums. This can mean in some cases it will take three months for the premium to be withheld.

If a delay of more than 3 months occurs or if your monthly Social Security benefit isn't enough to cover multiple premium payments at once, the premiums won't be deducted. We will contact you to see if you want us to bill you directly for the premiums or if you want the premium to be automatically withdrawn from your checking or savings bank account. You will have to pay the premiums for <the months the person has been enrolled>. The total you will owe is <plan supplied>.

If you want to know if your Social Security benefit will be enough for the withhold to take effect, you can multiply the monthly premium amount by the number of months since you signed up for the premium withhold and subtract that total from the Social Security benefit amount you receive each month.

Say you asked for premium withhold three months ago. Your premium is \$53.90 and your monthly benefit is \$400.00. If the premiums are withheld from your next benefit payment, then your benefit will be \$238.30 or \$400 - \$161.70 (3 times \$53.90). Each month after that through the end of the year your benefit payment will be \$346.10 or \$400 - \$53.90. <Plans will need to adjust this example for the correct premium amount.>

The plans should add their own answer if the person asks if the plan will work out a repayment schedule rather than them paying a lump sum.

Starting in June OIS says that they will be able to provide plans with person specific information on the status of the withhold request. Until the time, the plan will not be able to provide any projection of when the premium would be withheld.

May 8, 2006

Source: CMS.

Note: OIS refers to the CMS Office of Information Services.

Guidance on Premium
Withholds

CENTERS FOR MEDICARE & MEDICAID SERVICES

★

What You Should Know About Social Security Premium Withholds

When you join a Medicare prescription drug plan, you can choose to have premiums deducted automatically from your monthly Social Security benefit. It generally takes about two months from the time your Medicare drug plan submits the request for the premium deduction to start. You don't have to do anything to pay your monthly Medicare drug plan premiums until the automatic premium deduction starts.

Most of the time, the first time premiums are withheld from your Social Security benefit, two monthly premium payments will be withheld at the same time. In some cases, it could take longer and more than two months worth of premiums could be deducted at the same time.

If you have any questions about any issues related to paying your drug plan premiums, contact your Medicare drug plan. Their customer service number is printed on your membership card.

CMS Pub. No. 11202
April 2006

Source: CMS.

Frequently Asked
Questions on
Withholding Premiums

CENTERS FOR MEDICARE & MEDICAID SERVICES



Medicare Drug Plans: Withholding Premiums from Your Social Security Payment

What options do I have for paying my Medicare drug plan premiums?

You have three main options for paying your Medicare drug plan premiums:

- (1) Automatic electronic monthly withdrawal from your checking or savings bank account;
- (2) Direct monthly billing from the plan; or
- (3) Automatic deduction from your monthly Social Security benefit.

I have requested automatic premium deduction from my monthly Social Security benefit. How long will it take for the automatic deduction to start?

Depending on the time of the month that you make this request, it could take about two months from the time your Medicare drug plan submits the request for the premium deduction to start. This means that the first time premiums are withheld from your Social Security benefit, an amount equal to two monthly premium payments will be withheld. Social Security will deduct only the cost of one monthly premium payment from your Social Security benefit each month after that.

Can it take longer than a couple of months for the deduction to start?

Premium deductions should generally start no more than two months after your Medicare drug plan submits the request. In some cases, it may take three months. You will never have a deduction that is more than three months worth of premiums. If for any reason, your deduction is delayed longer than three months, Medicare will stop your request and ask your Medicare drug plan to bill you directly for premiums. This protects you from having a large, unexpected deduction from your regular benefit.



How do I pay my premiums until the automatic deduction starts?

You don't have to pay your monthly Medicare drug plan premiums until the automatic premium deduction starts. When your request is processed, whatever premiums you owe will be withheld from your next Social Security benefit.

If I have multiple premiums due when the withholding starts, can I have Social Security take these premiums out over time.

No. Social Security will deduct from your payment all the premiums due. There is no way to withhold only part of the premiums due.

What if my monthly Social Security benefit isn't enough to cover multiple premiums at one time?

If your monthly Social Security benefit isn't enough to cover multiple premium payments at one time, the premiums won't be deducted. Your plan will bill you directly and you can pay them directly. You also can arrange with your plan for the premiums to be automatically withdrawn from your checking or saving bank account.

Can I change my mind about the method I use to pay my premiums?

Generally, the payment plan you choose when you first enroll in a Medicare drug plan remains in effect for the rest of the calendar year, unless you leave that drug plan. However, you can work with your drug plan if you have any problems that require you to change your premium payment choice.

What happens if I have automatic premium deduction from my Social Security benefit and I switch to a different Medicare drug plan later? Will the automatic premium deduction carry over to my new drug plan?

No. When you enroll in your new Medicare drug plan, you will need to make a new choice about how to pay your premiums. You can again choose automatic premium deduction from your Social Security benefit. Depending on when in the month you make a choice, premium deductions could start two months after your drug plan submits the request. This means that the first time the premiums are withheld from your Social Security benefit, an amount equal to two monthly premium payments will be withheld. After the first time, only an amount equal to one monthly premium payment will be withheld from your monthly Social Security benefit.



I will be switching to a different Medicare drug plan. What do I need to do to stop the automatic premium deduction from my current Medicare drug plan?

You don't need to do anything. Your enrollment in a new plan will automatically stop the premium deduction from your current drug plan. It generally takes one to two months before the premium is no longer being withheld.

How soon will I get a refund of any premiums that are withheld for my current plan after I enroll in a new plan? Who will the refund come from?

If the Social Security Administration withheld the premium, Social Security will refund your premium. You should get this refund as an individual payment, separate from your regular monthly benefit, within six weeks after enrolling in a new plan.

What happens if I change plans and request automatic premium deductions from my Social Security benefits for my new plan, but the premium deduction from my previous plan doesn't stop?

Social Security cannot process your request for automatic premium deduction for your new plan until the premium deduction for your previous plan is stopped. The request from your new plan will be rejected if the previous premium deduction hasn't been stopped first. Your plan will need to contact Medicare so they can find out why the new action won't take effect.

I believe that I have signed up for automatic withholding, but I have received a notice from my plan that I still owe premiums. What should I do?

Contact your plan to verify what your record shows about your method of payment. If your Social Security premium withhold hasn't been set up already, and you still want Social Security to withhold premiums, you may need to pay the first few months of your premium directly to your plan. Your plan also can help you start to withhold premiums for the future. Remember, it could take two months after you enroll and choose this payment option for the premium withhold to take effect.



I signed up for automatic withholding and my drug plan premium was deducted from one of my Social Security payments. Now the deduction has stopped. What happened?

If there is a discrepancy in the government computer systems on the amount that should be withheld from your payment, your automatic withholding will stop. This could happen for a number of reasons. If this is the case, Medicare will ask your Medicare drug plan to start billing you directly for your drug plan premiums. If you have questions or want to confirm why your deductions stopped, you can call your drug plan at the number on your membership card.

I am eligible for the “extra help” with prescription drug costs or limited-income subsidy, but my plan is billing me for a premium. What should I do?

Contact your plan. The plan can check and make sure that your record correctly shows you should get extra help. Some single people with incomes over \$12,290 (or married with incomes over \$17,321) still pay reduced premiums. In these cases, you must apply for the extra help (it isn't automatic) and Medicare can help you enroll in a plan that works for you. Call 1-800-MEDICARE (1-800-633-4227) or visit www.medicare.gov on the web for more information about extra help with your prescription drug costs. TTY users should call 1-877-486-2048.

Where should I call if I have other questions about options for paying my Medicare drug plan premiums, or about withholding premiums from my Social Security payment?

If you have any other questions about these issues, contact your Medicare drug plan. Their customer service number is printed on your membership card.

CMS Pub. No. 11200
May 2006

Source: CMS.

Enclosure V: Comments from the Social Security Administration



SOCIAL SECURITY

The Commissioner

July 02, 2008

Ms. Barbara D. Bovbjerg
Director, Education, Workforce, and
Income Security Issues
U.S. Government Accountability Office
441 G St., NW
Washington, D.C. 20548

Dear Ms. Bovbjerg:

Thank you for the opportunity to review and comment on the draft report, "Medicare Premiums: Schedule and Timing Issues Complicate Withholding Parts C and D Premiums from Social Security Payments" (GAO-08-816R).

Enclosed are our detailed comments to the draft report recommendations, along with suggested technical revisions.

If you have any questions, please contact Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Sincerely,

Michael J. Astrue

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT REPORT, "MEDICARE PREMIUMS: SCHEDULE AND TIMING ISSUES COMPLICATE WITHHOLDING PARTS C AND D PREMIUMS FROM SOCIAL SECURITY PAYMENTS" (GAO-08-816R)

Thank you for the opportunity to review and comment on the draft report. We appreciate the report's acknowledgement and conclusion that the Medicare Part C and Part D premium withholding process is much more complex than the Part B process, involving more entities and data matching requirements. As you reported, we are responsible for all steps of the premium withholding process for Part B, including automatically enrolling almost all beneficiaries. For the Parts C and Part D premium withholding process, the Center for Medicare and Medicaid Services (CMS) is responsible for the enrollment process and advises us about enrollment developments. As your report describes, the process for withholding must be initiated by the beneficiary to the plan, then the plan transmits data to CMS, and CMS transmits it to us.

The quality of the data that passes from the plan to CMS, and then from CMS to us, is of the utmost importance in ensuring that the Social Security payment deduction for premium withholding is correct. The report seems to suggest that the limited processing window for premium transactions from CMS (a window established by the Department of Treasury's payment processing schedule) is the primary cause for delayed premium withholding. While the processing window is a factor and can cause a one-month delay in premium collection, delays can also occur due to the quality of data we receive from CMS.

Our Agency and CMS both put a great deal of effort into resolving the problems and reducing the delays in processing the premium withholding requests for Parts C and D. We also work together to resolve individual situations and sensitive cases. We appreciate GAO's recognition of our efforts. We continuously review the premium withholding process to determine if we can make any additional improvements.

Our comments on the draft report recommendations that are directed to us, along with technical revisions are as follows:

Recommendation 1

CMS consider alternative approaches to [those] put forth in the proposed regulations for preventing double-billing of beneficiaries while their requests for premium withholding are being processed. More specifically, for requests initiating premium withholding (either for new enrollees, or for existing enrollees who want to switch to premium withholding), CMS should consider allowing plans to bill beneficiaries directly until notified that the request for premium withholding has been accepted and will begin to be reflected in the beneficiary's next Social Security payment. For all requests not addressed by the recommendation above, SSA—in consultation with CMS and Treasury, as appropriate—should explore other ways to

expedite processing such as: a) separating batch transaction files for checks and electronic fund transfer (EFT) payments, which may allow extending the processing window for changes to EFT payments; and/or b) processing more cases during Treasury's extended window for accepting changes to Social Security payments.

Comment

For part "a" of the recommendation, we agree. We held exploratory discussions with Treasury on the feasibility and benefits of separating paper check and EFT transactions for payment cycle 1 to allow for an extended window to introduce EFT payment changes prior to actual benefit payment. These discussions raised a number of complex issues and concerns related to SSA, Treasury, and CMS case processing. Our discussions with Treasury on the viability of splitting EFT cycle 1 payments from paper check cycle 1 payments are continuing.

For part "b" of the recommendation, we agree to increase the number of transactions or expand the window for those transactions that we are able to send Treasury prior to the release of monthly Social Security payments by Treasury. We have discussed with Treasury ways that we can effectuate payment changes as late in the check processing cycle as possible. As a result of those discussions, and processing improvements within Treasury, we have agreed to extend our "CAN MEET" window by three additional work days. We expect to implement this change in September for Social Security payments issued in October. We are discussing with CMS how to use these additional three days in the processing window to improve the timeliness of Medicare premium withholdings. We will continue to work with Treasury and CMS to identify additional improvements for effectuating Medicare premium withholding actions closer to the date the beneficiary requests it.

Enclosure VI: Comments from the Department of Health and Human Services, Centers for Medicare & Medicaid Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation
Washington, DC 20201

JUL 07 2008

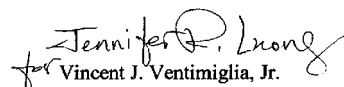
Barbara D. Bovbjerg, Director
Education, Workforce, and
Income Security Issues
441 G Street NW
U.S. Government Accountability Office
Washington, D.C. 20548

Dear Ms. Bovbjerg:

Enclosed are the Department's comments on the U.S. Government Accountability Office's (GAO) draft report entitled, "Medicare Premiums: Schedule and Timing Issues Complicate Withholding Parts C and D Premiums from Social Security Payment"(GAO 08-816R).

The Department appreciates the opportunity to comment on this draft before its publication.

Sincerely,


for Vincent J. Ventimiglia, Jr.
Assistant Secretary for Legislation

Attachment

**Enclosure VI: Comments from the Department
of Health and Human Services, Centers for
Medicare & Medicaid Services**




DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Office of the Administrator
Washington, DC 20201

DATE: JUL 03 2008

TO: Vincent J. Ventimiglia, Jr.
Assistant Secretary for Legislation
Office of the Secretary

FROM: Kerry Weems 
Acting Administrator

SUBJECT: Government Accountability Office (GAO) Draft Correspondence: "Medicare Premiums: Schedule and Timing Issues Complicate Withholding Parts C and D Premiums from Social Security Payments" (GAO-08-816R)

Thank you for the opportunity to review and comment on the GAO draft correspondence entitled, "Medicare Premiums: Schedule and Timing Issues Complicate Withholding Parts C and D Premiums from Social Security Payments." The report focuses on the roles the Centers for Medicare & Medicaid Services (CMS), the Social Security Administration (SSA), and the Department of Treasury (Treasury) play in the premium withholding process.

Premium withhold issues have arisen since the implementation of Part D, including issues involving the lag time between the time when a beneficiary chooses the withhold option and the withhold occurring. Although work remains to be done, CMS has worked diligently with stakeholders, including SSA and plan sponsors, to resolve these issues and we believe that through this partnership we have minimized issues relating to premium withholding.

We look forward to continuing to work with stakeholders on this issue. Our response to the recommendations and other comments on the draft correspondence follow.

GAO Recommendation

The CMS should consider alternative approaches to that put forth in the proposed regulations for preventing double-billing of beneficiaries while their requests for premium withholding are being processed. More specifically, for requests initiating premium withholding (either for new enrollees, or for existing enrollees who want to switch to premium withholding), CMS should consider allowing plans to bill beneficiaries directly until notified that the request for premium withholding has been accepted and will begin to be reflected in the beneficiary's next Social Security payment.

**Enclosure VI: Comments from the Department
of Health and Human Services, Centers for
Medicare & Medicaid Services**

Page 2 – Vincent J. Ventimiglia, Jr.

CMS Response

We agree that allowing Part C and Part D premium withhold to start prospectively, rather than having to deal with retroactive adjustments, is desirable. One option for accomplishing this result would be the GAO recommended approach of allowing plans to bill the beneficiary for premiums until SSA starts withholding the premium from the beneficiary's check in a future month. We will consider this recommendation, along with those made by commenters on our proposed rule, in deciding on a final approach to this issue in final regulations.

GAO Recommendation

For all requests not addressed by the previous recommendation, SSA—in consultation with CMS and Treasury, as appropriate—should explore other ways to expedite processing such as: 1) separating batch transaction files for checks and electronic fund transfer (EFT) payments, which may allow extending the processing window for changes to EFT payments; and/or 2) processing more cases during Treasury's extended window for accepting changes to Social Security payments.

CMS Response

The CMS concurs with the recommendation for the agencies to explore whether there are other appropriate ways to expedite premium withhold processing. If viable alternatives are identified, we would be glad to work with SSA on implementing them.

Enclosure VII: Comments from the Department of the Treasury



DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
WASHINGTON, D.C. 20227

July 8, 2008

Ms. Barbara D. Bovbjerg
Director, Education, Workforce, and Income Security Issues
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Bovbjerg:

This letter fulfills a request for written comments from the Department of the Treasury on the recommendations in the Government Accountability Office's (GAO) draft correspondence entitled: *Medicare Premiums: Schedule and Timing Issues Complicate Withholding Premiums for Medicare Parts C and D from Social Security Payments* (GAO-08-816R). This draft report was released for comment June 19, 2008.

In the draft report, GAO recommended that "CMS consider alternative approaches to that put forth in the proposed regulations for preventing double-billing of beneficiaries while their requests for premium withholding are being processed. More specifically, for requests initiating premium withholding (either for new enrollees, or for existing enrollees who want to switch to premium withholding), CMS should consider allowing plans to bill beneficiaries directly until notified that the request for premium withholding has been accepted and will begin to be reflected in the beneficiary's next Social Security payment."

GAO also recommended: "For all requests not addressed by the recommendation above, SSA- in consultation with CMS and Treasury, as appropriate—should explore other ways to expedite processing such as:

- Separating batch transaction files for checks and EFT payments, which may allow extending the processing window for changes to EFT payments; and/or
- Processing more cases during Treasury's extended window for accepting changes to Social Security payments."

We concur with the recommendation in the first bullet that a better approach would be to have SSA separate checks and EFT transactions. Change transactions for EFT payments do not require manual intervention. On the other hand, the pulling of printed and wrapped checks is manually intensive, and our funding would not allow for an increased workload. Since EFT payments represent approximately 80 percent of the benefit payments, separating them from checks would allow a sizable increase in the number of change transactions Treasury could process.

**Enclosure VII: Comments from the
Department of the Treasury**

Page 2 – Ms. Bovbjerg

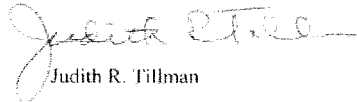
We have some concerns about the description of the problem on page 3 of the draft. The wording seems to imply that Treasury causes the problem of not being able to process changes in a timely manner: First, SSA established a limited “window” for accepting premium withholding requests from CMS in batch transaction files (that is, files of transactions that are collected and processed together at a specific time). This window is driven by Treasury’s schedule for accepting changes to Social Security payments

On page 5, the draft more clearly describes the underlying reason for the problem. Specifically, the statute’s required dates for accepting changes to enrollment in Part C and Part D plans did not take into account SSA and Treasury processing cycles: SSA and CMS have made considerable progress in working together to solve problems and reduce delays in processing premium withholding requests, however, significant challenges remain due to SSA’s limited window for processing requests and the statutorily-required dates for accepting changes to enrollment in Part C and Part D plans.

We suggest that the discussion of the problem center on the mismatch between the statutory requirement and the processing cycle for CMS, SSA and Treasury.

Thank you for the opportunity to comment on the draft correspondence.

Sincerely,



Judith R. Tillman

Cc: Kenneth Carline
Fiscal Assistant Secretary
Department of the Treasury

Enclosure VIII: GAO Contact and Staff Acknowledgments

GAO Contact

Barbara D. Bovbjerg, (202) 512-7215 or bovbjergb@gao.gov.

Staff Acknowledgments

In addition to the contact named above, Bill J. Keller (Assistant Director), Margie K. Shields (Analyst-in-Charge), Jacquelyn D. Stewart, Brian Tremblay, Valerie C. Melvin, Teresa F. Tucker, Michael A. Alexander, Tonia B. Brown, Doreen S. Feldman, Sheila R. McCoy, Rosamond Katz, Walter K. Vance, Susan L. Aschoff, and Robert Alarapon made key contributions to this report.

Glossary

Annual election period	One of various enrollment periods, set by federal law, when beneficiaries may change their enrollment in a Medicare plan. During the annual election period, beneficiaries may join, drop, or switch their enrollment in a Part C or Part D plan from November 15 through December 31 of each year, and their new coverage is effective January 1 of the following year.
Batch file (and batch processing)	File of transactions that are collected and processed together at a specified time.
Beneficiary	A person who receives Social Security benefits based on his or her own or another individual's earnings record.
Cycle payments	Individuals receive their Social Security payments on different dates, or "cycles," depending on when they apply for Social Security. Those who were receiving benefits before May 1, 1997, receive cycle 1 payments as "third-of-the-month" payments. Those who file claims on or after May 1, 1997, receive cycle 2, cycle 3, or cycle 4 payments on the 2 nd , 3 rd , or 4 th Wednesday of each month, respectively.
Dire need (or critical need) cases	Premium withholding problems that remain unresolved after beneficiaries' routine contacts with the Social Security Administration, the Centers for Medicare & Medicaid Services, or plans, and which impose hardships on the beneficiaries. For example, a beneficiary may have a "dire need" to be refunded premiums in cases where the Social Security Administration withheld premiums for the same months that the beneficiary made payments to a plan.
Direct bill (or direct pay)	Payment method whereby plans submit bills to beneficiaries requesting payment of monthly premiums, or make arrangements with the beneficiary for automatic payment, such as from the beneficiary's checking or savings account.
Discrepancies	Inconsistencies between the Social Security Administration's monthly file of premiums withheld and the Centers for Medicare & Medicaid Services' records of amounts owed plans.
Dual-eligible beneficiaries	Beneficiaries with limited income and resources who qualify for both Medicare and Medicaid. Dual-eligible beneficiaries have most or all of their health care costs covered, including the cost of their Medicare premiums.

Electronic Funds Transfer	Beneficiaries may choose to receive their Social Security payments either as paper checks or through Electronic Funds Transfer. If the electronic funds transfer payment method is chosen, the Department of the Treasury electronically sends the beneficiary’s Social Security payments to financial institutions to be credited to the bank, savings and loan, or credit union account designated by the beneficiary.
Group payments	The Social Security Administration sends files to the Department of the Treasury for individuals receiving cycle 1 Social Security payments (see “Cycle payments”) divided into 11 groups. The files for groups 1 through 6 are sent on the first designated date, 14 workdays prior to payment. The files for groups 7 through 11 are sent on the second designated date, 11 workdays prior to payment.
Medicare Prescription Drug, Improvement, and Modernization Act of 2003	This law (Pub. L. No. 108-173) made various changes to Medicare Parts A, B, and C, and created a new Part D program, entitled Prescription Drug Coverage. The various changes under the law became effective at different times; the provisions regarding premium withholding for Parts C and D became effective January 1, 2006.
Part B premium reductions	Part B premiums may be reduced for several reasons, including state Medicaid program subsidies, Part C rebates (see the following definition), and employer or union subsidies.
Part C rebate	Medicare pays Part C plans per member on the basis of the plan’s bid. If the plan’s bid is lower than the benchmark—the maximum amount Medicare will pay a plan to serve an average beneficiary in the beneficiary’s county of residence—Medicare pays the plan the amount of the bid and makes an additional rebate payment to the plan equal to 75 percent of the difference between the benchmark and the bid. Plans can use the rebate to provide their beneficiaries with additional benefits, reduce premiums, or reduce cost sharing.
Part D low-income subsidy	A key element of the prescription drug benefit is the low-income subsidy available to assist low-income elderly and disabled individuals in paying their premiums, deductibles, and copayments. Without the subsidy, individuals enrolled in Part D would have to pay greater out-of-pocket costs for their prescription medications.

Payment status	The information system designation of how beneficiaries are expected to pay their Medicare premiums—either through direct bill or withholding.
Plan data (also referred to as “table of plan data”)	Parts C and D plan and premium information that the Centers for Medicare & Medicaid Services provides to the Social Security Administration annually, with periodic updates. The Social Security Administration uses the plan table data to verify the accuracy of Medicare-related transactions, such as premium withholding requests received from the Centers for Medicare & Medicaid Services, and rejects transactions that do not match plan table data it maintains.
Premium	Periodic payments made to the Medicare Program, an insurance company, or health care plan for health care or prescription drug coverage.
Reconciliation	The process of comparing the Social Security Administration’s monthly file of premiums withheld with the Centers for Medicare & Medicaid Services’ records of premiums owed plans.
Rejected transactions	Transactions containing an error condition that prevents them from being successfully processed and that must be corrected before the transaction can be resubmitted for processing.
Retroactive adjustments	Changes made to Social Security payments to make corrections for inaccurate amounts withheld for months prior to the current month.
Third-party payer	An entity that pays all or a part of a beneficiary’s Medicare premium, such as a state agency, union, or employer.
Withholding	Payment method whereby Medicare Parts B, C, and D monthly premiums are collected from a beneficiary’s monthly Social Security payment.

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