

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**INAPPROPRIATE MEDICARE PAYMENTS  
FOR WORK-RELATED DISABILITY  
EXPENSES**

**MANAGEMENT ADVISORY REPORT**



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# EXECUTIVE SUMMARY

## **PURPOSE**

To determine if the Health Care Financing Administration could use the Social Security Administration's workers' compensation information to detect inappropriate Medicare payments for medical expenses incurred because of work-related disabilities.

## **BACKGROUND**

The Social Security Administration (SSA) provides disability payments to certain persons with work-related disabilities. After receiving disability payments for 24 months, disabled workers become entitled to Medicare benefits. The Medicare program, which pays for various medical expenses, is administered by the Health Care Financing Administration (HCFA).

Disabled workers can additionally qualify for workers' compensation (WC) benefits under State programs. Under the Social Security Act, the Medicare program cannot pay for medical expenses covered under a WC agreement.

## **FINDINGS**

**HCFA could detect more beneficiaries with WC involvement by using SSA records.** HCFA was unaware of the WC involvement of 45 percent of the SSA disability beneficiaries in our sample.

**There is a strong probability of erroneous Medicare payments due to undetected WC involvement.** Estimated savings to Medicare from an SSA-HCFA data exchange range from \$14 million to \$96 million.

**The effectiveness of an SSA/HCFA exchange of WC information could be maximized by appropriate selection criteria.** Diagnosis codes, as well as Workers Compensation codes can be used to more effectively identify SSA disability beneficiaries with potential WC involvement.

## **CONCLUSION**

In light of the findings, we believe that a renewed data exchange between SSA and HCFA would be productive. However, we have not prepared a detailed examination of the feasibility, cost of, or alternatives to a data exchange. At this juncture we suggest that HCFA and SSA further explore the possibilities. Given the magnitude of potential savings, a one-year pilot might be the best way to test out results, quantify costs and

benefits, and reach a final determination on whether to renew the data exchange, and in what form.

We are willing to conduct further analysis if HCFA would consider more OIG work useful. For now, we are ceasing work and reporting our results because we believe that our data provides ample grounds for administrative action.

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computer matches under negotiation. In 16 States no match will be possible because of State privacy law, data collection and storage problems, or lack of State resources.

The advantage that SSA has over HCFA in obtaining WC information is that SSA collects the information shortly, if not immediately, after the injury has occurred. Because SSA disability beneficiaries receive Medicare benefits after 24 months of disability entitlement, the HCFA has at least that long before a beneficiary submits the first Medicare claim.

### *Potential Federal Losses*

There are approximately 310,000 SSA disability beneficiaries with known WC involvement. The average duration of entitlement to disability benefits is eight years, so it is very likely most of the WC beneficiaries will also become entitled to Medicare. In fiscal year 1993, as shown on HCFA reports, approximately \$111 million were saved by Medicare because WC programs covered medical expenses that would otherwise have been paid by Medicare. Although the number of beneficiaries is small, the WC related costs involved can be substantial.

## **METHODOLOGY**

### *Interviews*

We interviewed HCFA personnel, contractor personnel, and SSA disability beneficiaries. The HCFA and contractor personnel were interviewed to determine the extent of exchange of WC information between HCFA and SSA and between Medicare contractors and WC agencies. The beneficiaries were interviewed to determine the accuracy of the diagnosis and WC information in SSA records.

### *Record Reviews*

We used three sets of records to detect discrepancies, and the related potential overpayments, between the WC information in the SSA and HCFA beneficiary records. The records used were SSA disability records, Medicare claims records, and HCFA primary payer records.

The SSA records were taken from a one percent sample used by SSA to analyze data for the disability population. They included disability beneficiaries with dates of entitlement from 1986-1988. From these records we selected beneficiaries whose SSA records contained the offset codes OP, PE, RJ, or WP. These codes are used by SSA to indicate if a beneficiary's payment is being reduced or offset because of receipt of WC or State or local public disability benefits. Table 1, which follows, explains the meanings of each code used. We selected 768 beneficiaries.

Estimated on the basis of our sample results, savings through a SSA-HCFA exchange would be \$14.425 million. This estimate does not include claims paid by carriers, such as physician and durable medical equipment bills, and is probably too low for this reason.

Estimated on the basis of past recoveries, savings would be over \$96 million. Based on our sample results, HCFA is aware of 55 percent, or 170,500, of the 310,000 beneficiaries whom SSA reports as having WC involvement. HCFA avoided \$111 million in payments in 1993 for those beneficiaries. If that rate of recovery applied to the 45 percent, or 139,500, of beneficiaries unknown to HCFA as having WC involvement, HCFA would have saved an additional \$96 million.

*The Effectiveness Of An SSA/HCFA Exchange Of Workers Compensation Information Could Be Maximized By Appropriate Selection Criteria*

Exchanges of information between SSA and HCFA ended about four years ago. Respondents indicate that leads generated through the matches were not productive.

While past exchanges might have produced nonproductive leads, the leads could be made more productive by using different selection criteria. For example, we used the diagnosis code, in addition to the WC codes, to select the initial 25 beneficiaries for whom the likelihood of an overpayment existed. Furthermore, if SSA began to distinguish between WC and public disability benefits in their OP, PE and RJ offset codes, HCFA could further improve the selection criteria.

## CONCLUSION

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In light of the findings, we believe that a renewed data exchange between SSA and HCFA would be productive. However, we have not prepared a detailed examination of the feasibility, cost of, or alternatives to a data exchange. At this juncture we suggest that HCFA and SSA further explore the possibilities. Given the magnitude of potential savings, a one-year pilot might be the best way to test out results, quantify costs and benefits, and reach a final determination on whether to renew the data exchange, and in what form.

We are willing to conduct further analysis if HCFA would consider more OIG work useful. For now, we are ceasing work and reporting our results because we believe that our data provides ample grounds for administrative action.