



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General  
Office of Audit Services

REGION IV  
Room 3T41  
61 Forsyth Street, S.W.  
Atlanta, Georgia 30303-8909

DEC 7, 2001

CIN: A-04-01-03001

Charles R. Hartsell  
President and Chief Operating Officer  
Cahaba Government Benefit Administrators  
450 Riverchase Parkway East  
Birmingham, Alabama 35244

Dear Mr. Hartsell:

We have enclosed two copies of our report on the United States Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services' (OAS) report entitled, *The President's Council on Integrity and Efficiency Debt Collection Initiative at Cahaba Government Benefit Administrators*. We reviewed Cahaba Government Benefit Administrators' (CGBA) financial statements for the period ending September 30, 2000 to determine if the amount of non-tax delinquent debt owed to Medicare existed as of September 30, 2000 and to assess the collectability of the delinquent debt at the First Coast Service Options Inc. for the same time period.

The HHS action official will make the final determination as to actions taken on all matters we have reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 Code of Federal Regulations Part 5.) As such, within 10 business days after we issue the final report, we will post it on the World Wide Web at <http://www.hhs.gov/progorg/oig>.

We appreciate the cooperation your staff provided to us during this audit. They contributed greatly toward the successful completion of this audit.

Page 2 – Charles R. Hartsell

To facilitate identification, please refer to the Common Identification Number (CIN) A-04-01-03001 in all correspondence relating to this report.

Sincerely yours,

Charles J. Curtis  
Regional Inspector General  
for Audit Services, Region IV

Enclosure

HHS ACTION OFFICIAL:

Rose Crum-Johnson, Regional Administrator  
Centers for Medicare & Medicaid  
U.S. Department of Health and Human Services  
61 Forsyth Street, S.W., Suite 4T20  
Atlanta, Georgia 30303

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**THE PRESIDENT'S COUNCIL ON  
INTEGRITY AND EFFICIENCY DEBT  
COLLECTION INITIATIVE AT CAHABA  
GOVERNMENT BENEFIT  
ADMINISTRATORS**



**JANET REHNQUIST  
Inspector General**

**DECEMBER 2001  
A-04-01-03001**



REGION IV  
Room 3T41  
61 Forsyth Street, S.W.  
Atlanta, Georgia 30303-8909

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Charles R. Hartsell  
President and Chief Operating Officer  
Cahaba Government Benefit Administrators  
450 Riverchase Parkway East  
Birmingham, Alabama 35244

Dear Mr. Hartsell:

This report provides you with the results of our audit entitled, *The President's Council on Integrity and Efficiency Debt Collection Initiative at Cahaba Government Benefit Administrators*.

We reviewed Cahaba Government Benefit Administrators' (CGBA) accounts receivable balances reported on their "Financial Contractor Reports" (H750) for the period ending September 30, 2000 to determine if the amount of non-tax delinquent debt owed to Medicare existed as of September 30, 2000 and to assess the collectability of the delinquent debt at CGBA for the same time period.

To complete our audit objectives, we reconciled the accounts receivable balances reported on the CMS H750/751 to the contractor's subsidiary records for the period ending September 30, 2000. We sampled case files containing documentation supporting the accounts receivable balances in two general categories: non-Medicare Secondary Payor (MSP) and MSP. For non-MSP, we tested 100 randomly sampled Part A accounts receivable transactions. For MSP, we tested 45 randomly sampled Part A accounts receivable transactions.

In addition, we judgmentally tested Part A non-MSP and MSP accounts receivables that were transferred to the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) to ensure the contractor maintained support to justify the transfer of these receivables. We also identified and tested the largest single Part A MSP transfer (\$97,337) to the RO to ensure this receivable was properly excluded in the ending balance on the M751 at September 30, 2000.

The accounts receivable balances CGBA reported to CMS H750/751 for financial statement purposes for the period ending September 30, 2000 for Part A (non-MSP and MSP) accounts receivable was \$500,831,731.

Our tests of the 100 randomly sampled Part A non-MSP accounts receivable transactions showed all of the 100 transactions were recorded, supported, complete, properly valued and existed at September 30, 2000. However, we noted five instances totaling \$436,233 where status codes for

accounts receivable balances did not agree with the supporting documentation. Subsequent to our audit period, we determined that three of the accounts receivable balances were changed to reflect the correct status. The remaining two Part A non-MSP accounts receivable balances on the Provider Overpayment Reporting (POR) system totaling \$85,778 still have an incorrect status code (see Appendix A).

We determined that CGBA's efforts to collect 27 of the 100 Part A non-MSP accounts receivable balances did not comply with the requirements of the Debt Collection Improvement Act (DCIA) of 1996. However, our tests showed that the remaining 73 Part A non-MSP accounts receivable balances did comply with the DCIA (see Appendix B).

Our tests of the 45 Part A MSP accounts receivable balances showed that 23 Part A MSP accounts receivable balances were recorded, adequately supported, complete, properly valued and existed. We determined that 22 Part A MSP accounts receivable balances totaling \$41,959 were unsupported. Subsequent to our audit period, we determined that seven of these Part A MSP case files totaling \$24,628 had been closed. The remaining 15 unsupported Part A MSP accounts receivable balances totaling \$17,331 are still active (see Appendix C).

Our tests showed that the Part A non-MSP and MSP accounts receivables transferred to the CMS' RO were adequately supported in CGBA's case files. We also concluded the largest single Part A MSP transfer (\$97,337) to the RO was properly excluded from the ending balance on the M751 at September 30, 2000.

We recommend that CGBA:

- correct the status codes on two accounts receivable balances to show the accurate status of the balances;
- establish a system of internal controls that will provide adequate and timely tracking of its collection efforts; and
- reduce the Part A MSP accounts receivable balance by \$17,331 for the 15 MSP accounts that are unsupported.

We issued a draft report to CGBA on October 1, 2001, and we requested them to provide us with their comments on the draft report, which they did. The CGBA officials concurred with the majority of the recommendations in our draft report and advised us that they have or plan to take action on our recommendations. They advised us that they do not concur with one accounts receivable status code being incorrect and 11 accounts receivable balances not being in compliance with the requirements of the DCIA.

In their comments on the status codes, they acknowledged that the status code on one of the accounts had been corrected, but state that the second status code on the 9/30/00 quarterly report was correct and matched the POR.

In their comments for the 11 accounts receivable balances not being in compliance with the requirements of the DCIA, they stated these balances were handled properly. In several instances there was pending litigation, fraud or bankruptcy that precluded them from issuing demand letters. Furthermore, all debts associated with these accounts receivable have been transmitted to the Department of Treasury.

We have included the entire contents of the CGBA officials' comments to our report as Appendix D.

Due to additional audit evidence provided to us, we concur with CGBA officials' comments and the actions they advise us they have taken or plan to take with one exception. The one exception is the timeliness of the demand letters sent for item number 15 in the accounts receivable balance listed in Appendix B. The determination date for this accounts receivable is 3/26/99 and the second request letter was not mailed until 6/8/99.

## INTRODUCTION

### BACKGROUND

Medicare accounts receivable primarily represent funds owed to the Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration, due to: (1) Medicare overpaying providers for a variety of reasons; and (2) other entities who should have paid the claims as primary insurers when Medicare was the secondary payor. The first is referred to as non-Medicare secondary payor (non-MSP) and the second is commonly called MSP.

#### Non-MSP Accounts Receivable Balances

Medicare contractors pay physicians and other entities for services and supplies provided to beneficiaries. In some instances providers submit claims and receive payments for services and supplies for which they are not entitled. Instances such as these usually result in overpayments. The contractors record these overpayments as accounts receivable.

The CMS utilizes the POR to record and track amounts associated with Medicare Part A accounts receivable and the Physician Supplier Overpayment Reporting system (PSOR) to record and track Medicare Part B accounts receivable. The CMS relies on these two systems as a uniform method for tracking and reporting overpayments and receivables data and also for compiling information for management's use. The contractors categorize the receivables in these systems using codes that indicate the physical location of the receivables, such as those at contractor locations, those at various locations within the CMS and those at the Department of Justice. With the exception of Currently Not Collectible (CNC) debt, the contractor reports these POR/PSOR balances to CMS on the H751. The contractor does not report the CNC debt on the financial statements because of the likelihood the debt will be not be collected.

However, the contractor reports some receivables on the H751 that are not accounted for on the POR/PSOR. The contractor uses ad hoc systems to account for these receivables that include:

- Credit Balance Receivables -- A credit balance receivable results from an improper or excess payment the contractor made to a provider due to either patient billing or contractor claims processing errors. The CMS requires providers to report these receivables to the contractor quarterly using a CMS-838 form. The CMS uses this form specifically to monitor the identification and recovery of "credit balances" that are due to the Medicare program.
- Periodic Interim Payments (PIP) Receivables – The contractor usually makes PIPs biweekly based on the total estimated Medicare costs a provider will incur during a reporting period and uses an Excel spreadsheet or similar method to accumulate

the receivable data. The spreadsheet contains information for comparing: (1) the PIPs the contractors made to providers for the current fiscal year to the claims the providers submitted during the year as reported on the Provider Statistical Report; and (2) those claims for services the providers rendered, but had not submitted to the contractor.

- Carry-Over Adjustment Receivables (i.e., claims adjustments) – A carry-over adjustment receivable results from a change the contractor makes to a previously submitted claim. The contractor records these types of overpayments as a receivable in their systems. In most cases, the contractor offsets the carry-over adjustments within a short period of time. However, in the case of an inactive provider, a change in provider number, a terminated provider or a change in fiscal intermediary (FI), the carry-over adjustment can remain outstanding for a significant period of time.

### **Medicare Secondary Payor Accounts Receivable**

Until 1980, Medicare was the primary payor for all health care costs for beneficiaries eligible for Medicare benefits. Beginning in 1980, Congress passed a series of statutory provisions that require private insurers to pay in certain instances the claims for health services provided to covered beneficiaries before the contractors pay them on behalf of Medicare. As a result of these provisions, Medicare is the secondary payor to the insurers for the working aged (employed Medicare beneficiaries and their spouses who have insurance through their employment), for beneficiaries with either liability or automobile insurance and for those with end-stage renal disease.

In practice, Medicare contractors either should not pay claims as primary insurer when known MSP situations exist or should pay claims as primary and subsequently seek recovery from the other insurer if a MSP situation is not readily known. The contractors should account for the MSP debts and report the balances to CMS on the CMS 751 on a quarterly basis.

### **Managing Accounts Receivable Balances**

Medicare contractors are responsible for managing the majority of the accounts receivable balances for CMS. Inherent in those responsibilities are identifying, collecting, accounting and reporting the results of their management to CMS on a quarterly basis. For financial reporting purposes, CMS requires the contractors to use the “Contractor Financial Reports” (CMS 750/751) to capture and report accounts receivable information.

The CMS’ ROs and Central Office (CO) are jointly responsible for managing the remaining accounts receivable balances. These balances are taken from the: (1) POR system; (2) PSOR system; and (3) RO Status of Accounts Receivable Reports (CMS Forms R751A and R751B).



Generally, the process is the contractors, after satisfying themselves they have performed all the due diligence requirements on certain aged balances, notify the ROs that they want to transfer their responsibility for certain balances to the ROs. The contractors initiate this action by referring those balances to the ROs. After verifying the contractors have performed all the due diligence requirements on the referrals, the ROs notify the contractors that the ROs either: (1) accept the contractors' referrals which indicate the ROs accept the responsibility for accounting and reporting those balances to the CO; or (2) reject the contractors' referrals because ROs are not satisfied that the contractors have performed all of the due diligence requirements on certain balances, and the responsibility for collecting, accounting and reporting remains with the contractor.

For those balances the ROs accept as transferred from the contractors, the contractors must record the principal amounts of the accounts receivables and any interest as a write-off/transferred amount on the CMS 751. In reporting the transfers, the contractors must distinguish on the CMS 751 between balances recorded on CMS' POR/PSOR and those not recorded on CMS=POR/PSOR. In either case, the balances the contractors transfer to the RO should no longer be in the ending accounts receivable balance on the contractor's CMS 751.

The CMS uses the POR/PSOR and the R751 to report accounts receivable transactions that have been transferred to the ROs from the contractors. Specifically, CMS uses the POR/PSOR to report accounts receivable activity for the following non-contractor locations:

- CMS Regional Offices;
- Office of Inspector General/Office of Counsel to the Inspector General;
- Department of Justice; and
- Central Office/Debt Collection Center.

The location status code on the POR/PSOR indicates the location of each receivable.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

### **OBJECTIVES**

Our primary audit objectives were to: (1) determine the amount of Medicare Part A non-tax delinquent debt that existed at September 30, 2000; and (2) assess the collectability of the Part A delinquent debt at the Medicare contractor level for the same period.

The specific objectives at the contractor level were to determine whether the:

1. Part A accounts receivable balances the contractor reported to CMS on the 'Contractor Financial Reports' (750/751) were supported, complete, properly valued and existed at September 30, 2000;
2. Contractor appropriately implemented CMS' instructions for reporting non-MSP CNC Debt; and
3. Contractor appropriately implemented procedures that complied with the requirements of the Debt Collection Improvement Act (DCIA) of 1996.

## **SCOPE AND METHODOLOGY**

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform our audit to obtain reasonable assurance that CMS' financial statements are free of material misstatement and that CMS, as well as Medicare contractors such as Cahaba Government Administrators (CGBA), have complied with applicable laws and regulations.

We performed our audit from January 2001 through August 2001 at CGBA offices in Birmingham, Alabama and Des Moines, Iowa and the Office of Audit Services (OAS) offices in Birmingham, Alabama and Atlanta, Georgia.

To accomplish our objectives, we did the following:

1. Reviewed applicable laws and regulations;
2. Interviewed contractor officials;
3. Identified the population of accounts receivable for:
  - audit reimbursement (system for tracking audit reimbursements and provider overpayment reporting);
  - carryover adjustments (claims processing systems); and
  - MSP (CMS Data Match).
4. Reconciled Part A accounts receivable balances reported on the quarterly Contractor Financial Reports (CMS 750/751) to source documentation;
5. Tested 100 randomly sampled Part A non-MSP accounts receivable transactions to determine whether they were recorded, supported, complete, properly valued, existed and whether the contractor followed appropriate procedures to collect the debt and/or transfer the debt to the RO;

6. Judgmentally tested 15 Part A non-MSP accounts receivables that were transferred to the RO to ensure the contractor maintained support to justify the transfer of these receivables;
7. Tested 45 randomly sampled Part A MSP accounts receivable transactions to determine whether they were recorded, supported, complete, properly valued, existed and whether the contractor followed appropriate procedures to collect the debt and/or transfer the debt to the RO;
8. Reviewed the largest single Part A MSP transfer to the RO to ensure it was not included in the ending balance on the M751; and
9. Judgmentally tested Part A MSP global settlements to ensure there was support in the case folders to justify their transfer to the RO as global settlements.

We issued a draft report to CGBA on October 1, 2001 and invited them to comment on the findings and recommendations in the report. We summarized the CGBA officials' comments in the opening summary of the report and at the end of the Recommendations section of the report. We have also included the entire text of their comments as Appendix D.

## **FINDINGS AND RECOMMENDATIONS**

At September 30, 2000, CGBA was responsible for \$500,831,731 in Part A non-MSP and MSP accounts receivable balances.

Our tests of the 100 randomly sampled Part A non-MSP accounts receivable balances were comprised of 30 Part A non-MSP accounts receivable balances totaling \$3,324,758 that were 180 days delinquent or less and 70 Part A non-MSP accounts receivable balances totaling \$11,397,747 that were 181 days delinquent or greater.

### **PART A NON-MSP ACCOUNTS RECEIVABLE BALANCES**

We determined that all of the 100 Part A non-MSP accounts receivables balances were recorded, supported, complete, properly valued and existed. However, we noted five instances totaling \$436,233 where the status codes for the accounts receivable balances did not agree with supporting documentation. (The status codes are useful in noting when an accounts receivable balance can be referred to the RO). Subsequent to our audit period, we determined that three of the accounts receivable balances were changed to reflect the correct status. The remaining two Part A non-MSP accounts receivable balances on the POR totaling \$85,778 still have an incorrect status code (see Appendix A).

We determined that CGBA's efforts to collect 73 of the 100 accounts receivable balances complied with the collection requirements of the DCIA. We determined that CGBA did

send original demand letters for 85 of the 100 accounts receivable balances. However, we concluded CGBA did not follow DCIA-required procedures in its efforts to collect 27 of the 100 Part A non-MSP accounts receivable balances (see Appendix B).

We judgmentally selected and tested 15 non-MSP receivables to ensure adequate support was in the case files to justify transferring these receivables to the RO. We determined that the 15 non-MSP transfers were not duplicated and were adequately supported in the case files justifying the transfers.

In addition to the tests described above, we determined that the proper interest rate was applied and the correct amount of interest was added to the accounts receivable balances that we tested for non-MSP transactions.

### **PART A MSP ACCOUNTS RECEIVABLE BALANCES**

We determined that 23 of the 45 Part A MSP accounts receivable balances we tested, were recorded, adequately supported, complete, properly valued and existed in the case files. However, we concluded that 22 accounts receivable totaling \$41,959 were unsupported. We noted the demand letters for the 22 receivables were dated in 1997 or earlier as follows: (1) 2 were mailed in 1997; and (2) 20 were mailed in a prior year. Subsequent to our audit period, CGBA closed seven of these receivables which were also unsupported and totaled \$24,628. The remaining 15 unsupported Part A MSP accounts receivable balances totaling \$17,331 are still active (see Appendix C).

In addition, we judgmentally selected 25 MSP Part A receivables and tested them to ensure the case files included adequate support that justified transferring the case files to the RO. We determined that the 25 MSP transfers were not duplicated and adequate support was in the case files justifying the transfers.

We also selected and tested the largest single accounts receivable balance, totaling \$97,337, that CGBA transferred to the RO throughout the year to ensure this receivable was not included in the ending balance on the M751 at September 30, 2000. We concluded the \$97,337 was properly excluded in the ending balance on the M751 at September 30, 2000.

## **RECOMMENDATIONS**

We recommend that CGBA:

1. change the status code for the two Part A non-MSP accounts receivable balances on the POR totaling \$85,778 to agree with the supporting documentation that shows the correct status;
2. establish a system of internal controls that will provide adequate and timely tracking of collection efforts; and

3. adjust the Part A MSP accounts receivable balance by reducing it \$17,331 for the 15 unsupported accounts receivable balances that were not previously closed.

#### **AUDITEE'S COMMENTS**

The CGBA officials concurred with the majority of the recommendations in our draft report and advised us that they have or plan to take action on our recommendations. They advised us that they do not concur with one accounts receivable status code being incorrect and 11 accounts receivable balances not being in compliance with the requirements of DCIA.

In their comments on the status codes, they acknowledged that the status code on one of the accounts had been corrected, but stated that the second status code on the 9/30/00 quarterly report was correct and matched the POR.

In their comments for the 11 accounts receivable balances not being in compliance with the requirements of the DCIA, they stated these balances were handled properly. In several instances, there was pending litigation, fraud or bankruptcy that precluded them from issuing demand letters. Furthermore, all debts associated with these accounts receivable have been transmitted to the Department of Treasury.

We have included the entire contents of the CGBA officials' comments to our report as Appendix D.

#### **OAS RESPONSE**

Due to additional audit evidence provided to us, we concur with CGBA officials' comments and the actions they advised us they have taken or plan to take with one exception. The one exception is the timeliness of the demand letters sent for item 15 in the accounts receivable balance listed in Appendix B. The determination date for this accounts receivable is 3/26/99 and the second request letter was not mailed until 6/8/99.

To facilitate identification, please refer to Common Identification number (CIN) A-04-01-03001 in all correspondence related to this report.

Sincerely yours,



Charles J. Curtis  
Regional Inspector General  
for Audit Services, Region IV

Enclosures

### Status Code Exceptions: non- MSP Accounts Receivable

	Cost Report Date	Determination Date	POR Status Code	File Status Code	Status Correct	Original Amount	Balance At 09/30/00
#							
1	12/31/98	10/27/1998	AK	BH	N	\$55,000	\$49,203
2	12/31/97	06/09/1998	AK	BH	N	\$36,575	\$36,575
						<b>Total</b>	<b>\$85,778</b>

Legend - Status Code	
AK	Referred to Regional Office
BH	Provider Filed Bankruptcy Petition

**Debt Collection Improvement Act of 1996**  
**Non-Compliance**  
**Non-MSP Accounts Receivable**

#	Report Date	Determination Date	Balance at 09/30/00	DEMAND LETTERS				
				Timeliness of 1st Request	Timeliness of 2nd Request	Timeliness of 3rd Request	Offset	Due Dillgence
1	31DEC98	08/29/2000	\$363,295	Y	N	N	Y	N
2	31AUG98	08/04/2000	\$297,362	Y	N	N	Y	N
3	30JUN98	07/27/2000	\$6,034	Y	N	N	Y	N
4	31DEC97	03/17/2000	\$31,214	Y	N	N	Y	N
5	31DEC95	05/19/2000	\$603,972	Y	N	N	Y	N
6	30SEP00	04/26/2000	\$12,100	Y	N	N	Y	N
7	31DEC98	09/08/1999	\$288,660	Y	N	N	Y	N
8	08FEB99	11/05/1999	\$528,463	Y	N	N	Y	N
9	31DEC96	12/13/1999	\$576	Y	N	N	Y	N
10	30SEP97	09/20/1999	\$289,770	Y	N	N	Y	N
11	31DEC98	08/10/1999	\$278,132	Y	N	N	Y	N
12	31DEC98	08/07/1999	\$8,380	Y	N	N	Y	N
13	30JUN97	08/23/1999	\$5,643	Y	N	N	Y	N
14	31DEC97	08/30/1999	\$132,772	Y	N	N	Y	N
15	31DEC97	03/26/1999	\$248,724	Y	N	N	Y	N
16	31DEC96	09/30/1998	\$333,472	Y	N	N	Y	N
17	31DEC96	09/25/1998	\$143,000	Y	N	N	Y	N
18	31DEC97	09/16/1998	\$32,951	Y	N	N	Y	N
19	31DEC98	04/09/1999	\$702,266	Y	N	N	Y	N
20	31DEC98	12/16/1998	\$21,152	Y	N	N	Y	N
21	31AUG97	02/26/1998	\$58,863	Y	N	N	Y	N
22	30NOV97	04/29/1998	\$18,517	Y	N	N	Y	N
23	31DEC96	03/16/1998	\$68	Y	N	N	Y	N
24	31DEC98	08/06/1998	\$21,200	Y	N	N	Y	N
25	31AUG98	03/10/1998	\$14,400	Y	N	N	Y	N
26	31DEC98	07/10/1998	\$10,891	Y	N	N	Y	N
27	31DEC98	07/31/1998	\$23,310	Y	N	N	Y	N
	<b>TOTAL</b>		<b>\$4,475,187</b>					

**Unsupported Medicare Secondary Payer Accounts Receivable**

<b>#</b>	<b>Report I.D.</b>	<b>Demand Letter Date</b>	<b>Balance at 09/30/2000</b>
1	O08279102667	12/18/1992	\$38
2	I12169200716	01/22/1993	\$168
3	I04139300742	04/21/1993	\$74
4	I08279305176	09/03/1993	\$2
5	O02049403765	03/25/1994	\$1,007
6	I04139302197	12/16/1994	\$1,734
7	I04199304187	12/16/1994	\$36
8	I12169201820	02/10/1995	\$2,444
9	O05049501469	06/30/1995	\$2,079
10	O11139500479	12/29/1995	\$3,152
11	I01239604699	02/02/1996	\$2,091
12	O05069601787	06/28/1996	\$2,788
13	O05219600011	06/28/1996	\$1,678
14	O01099602813	03/21/1997	\$32
15	I07099702093	09/26/1997	\$8
		<b>TOTAL</b>	<b>\$17,332</b>





**BlueCross BlueShield  
of Alabama**

November 1, 2001

CIN: A-04-01-03001

Mr. Charles J. Curtis  
Regional Inspector General for Audit Services  
Office of Inspector General  
Region IV  
Room 3T41  
61 Forsyth Street, S.W.  
Atlanta, Georgia 30303-8909

Dear Mr. Curtis:

Thank you for the opportunity to respond to the findings and recommendations of the Office of Inspector General – The President’s Council on Integrity and Efficiency Debt Collection Initiative at Cahaba Government Benefit Administrators audit conducted at the Medicare contractor at Blue Cross and Blue Shield of Alabama and Cahaba Midwest Iowa. We appreciate the detailed testing conducted to meet your overall audit objective and to report on our compliance with laws and regulations. We have reviewed your findings and recommendations and are providing the following responses:

**Non-MSP Part B Iowa Response to OIG Debt Collection:**

**Appendix A** – We disagree with the OIG finding on Appendix A for provider 53-7060. The status code reflected on the 9/30/00 quarterly report was correct and matched the POR. However, we agree with the finding for provider 06-7210. It appears the status code was changed on W/S E of the quarterly report and did not match the POR code. Please see the attached schedule for a detailed explanation.

**Appendix B** – We disagree with the findings related to Appendix B. We noted in our review that second and third request letters were sent in most occasions. If the letters were not sent for the sampled debt, we noted the reason in the comment column of the spreadsheet. In some situations, we did find the second and third request letter was sent but not in a timely manner. This is also

**OIG Audit Response**  
**November 1, 2001**  
**Page Two**

noted in our review.

We segregated the 27 items into two sections. The first section identifies eleven debts that were handled properly and should not be considered a finding. In several of these situations, there was pending litigation, fraud or bankruptcy that precluded us from issuing further demand letters.

In addition, there were situations where a demand letter had been sent on previously determined overpayments which resulted in no collection or response from the provider. When this situation occurred, we did not continue to send demand letters on subsequent debts and proceeded to refer the debts to the CMS Regional Office. This process was in accordance with the instructions outlined in the Medicare Intermediary Manual, Section 2222. This has been noted in our comments.

The second section identifies sixteen debts where we note there were problems or issues relating to the issuance of second and third demand letters. In these instances, the demand letters were sent to the provider. However, they were not always sent in a timely manner.

We also noted that out of the twenty-seven debts identified, twenty-five of the providers had terminated from the Medicare program before the first demand letter was issued. There were no claims to offset and apply to the outstanding balances.

To date, all of the debts that were referred to the Regional Office (RO) through August 2000, have been transferred to the RO and sent to the Department of Treasury. Any of the eligible debts not referred as of this date, remain at our location and have been transmitted to the Department of Treasury. Attached you will find the spreadsheet that explains these findings.

**MSP PART A Alabama OIG RECEIVABLE AUDIT RESPONSE:**  
**(ALABAMA 00010)**

**Appendix C:**

The OIG identified 15 demands totaling \$17,331.26 that had been issued through our MSP area in Alabama and were found to be unsupported because there was no hardcopy of the demand letter in a file folder. All of these demands were still active while OIG was conducting their review. These demands were represented in our SMART database with detailed audit records showing all transactions that were a part of each demand. As of October 23, 2001, twelve of these demands have been closed because investigation for CR899 and CR1280 allowed for such action. The remaining three have been recommended for write-off on our November 1, 2001 report to our CMS regional office.

**OIG Audit Response**  
**November 1, 2001**  
**Page Three**

The demands in question were issued in 1996 and 1997. In late 1998, we amended our procedures for the assembly of folders based on the recommendation of our CMS Regional office. Procedures are now in place for the assembly of the documented demands. Please see the enclosed procedures for a detailed explanation.

We hope that these responses will assist you in your final determination of the audit findings and recommendations. If you have any questions or need clarification of the issued discussed, please contact Cindi Vice, Department Manager of Internal Audit, at (205) 220-5541.

Sincerely,



Charles R. Hartsell  
President and Chief Operating Officer  
Cahaba Government Benefit Administrators

Encl.

cc: Susan Pretnar  
Shelly Hamman  
Kelly Dennis  
Lora Rash  
Robert Orr  
Gavan Paulin

Appendix A

Prov #	Deter Date	Comments
06-7210	06/09/98	According to W/S E on the 9/30/00 750-751, the status code was BH which was correct and matched the provider's file
53-7060	10/27/98	This debt was listed as BH. It was referred by our office to KCRO7 and the status code was changed AK (referral code). Once it was transferred, the RO changed the status code back to bankruptcy.

THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY DEBT  
COLLECTION INITIATIVE AT CARABA GOVERNMENT BENEFIT  
ADMINISTRATORS

CIN: a-04-01-03001

Appendix B - Disagree with findings

Prov #	Deter Date	Status Code	Original Amount	Balance as of 9/30/00	2nd Req	3rd Req	Referred to RO	DCC letter	Comments
06-7176	03/16/98	AK	\$10,023	\$68	(A) 05/13/98	05/13/98	11/19/99	n/a	2nd request letter sent on previous debt. This o/p was added to 3rd request & referral to RO
06-7203	07/31/98	BL	\$23,310	\$23,310	02/08/99	(B) 07/24/00	07/24/00	n/a	Denver RO requested this debt be referred to their office due to provider's request for a compromise.
06-7247	08/30/99	AK	\$132,772	\$132,772	(C) 06/08/99	(C) 01/14/00	01/14/00	n/a	No response to 2nd & 3rd Req letters for previous debt/other demand letter returned in the mail - include Debt referred to RO- 2nd & 3rd request letters already sent
06-7278	03/25/99	AK	\$248,724	\$248,724	06/08/99	06/24/99	01/14/00	n/a	
16-7283	09/25/98	AK	\$143,000	\$143,000	05/05/99	05/24/99	12/14/99	06/21/01	Had been working with attorney on compromise of debt. 2nd & 3rd request letters followed and debt ref
26-7234	04/19/00	AL	\$603,972	\$603,972	n/a	n/a	n/a	02/16/01	Letters were not sent due to Fraud/AUSA instructions. Once instruction rec'd in 8/2000, we issued DCIA
39-7529	05/09/99	AQ	\$771,200	\$702,266	(A) 08/13/00	n/a	n/a	08/13/00	2nd request letters sent on previous debt - this o/p was included with DCIA letter for other debt.
39-7619	03/17/00	AQ	\$31,214	\$31,214	(A) n/a	n/a	n/a	09/15/00	2nd request letters sent on previous debt - this o/p was included with DCIA letter for other debt.
55-7497	09/08/99	BH	\$291,240	\$288,660	n/a	n/a	n/a	n/a	Bankrupt provider; therefore, no 2nd Req can be sent per bankruptcy laws
55-7531	08/29/00	AL	\$363,295	\$363,295	10/12/00	n/a	n/a	02/13/01	Provider didn't respond to 2nd or 3rd request letters issued on previous debts. DCIA letter issued
55-7582	08/04/00	AL	\$297,362	\$297,362	(A) n/a	n/a	n/a	10/26/00	2nd request letters sent on previous debt - this o/p was included with DCIA letter for other debt

We disagree with the audit findings for the overpayments listed above. From what we can determine, these accounts were handled properly.

Appendix B - Issues/Problems Noted

Prov #	Deter Date	Status Code	Original Amount	Balance as of 9/30/00	2nd Req	3rd Req	Referred to RO	DCC letter	Comments
06-7216	03/10/98	AK	\$14,400	\$14,400	06/07/99	06/21/99	01/11/00	n/a	2nd & 3rd request letters were not issued timely - debt has been referred to RO.
06-7216	02/26/98	AK	\$58,863	\$58,863	06/07/99	06/21/99	01/11/00	n/a	2nd & 3rd request letters were not issued timely - debt has been referred to RO.
06-7320	08/23/99	AK	\$5,643	\$5,643	n/a	n/a	n/a	n/a	Account paid in full and closed 12/22/00
14-7313	08/06/98	AK	\$21,200	\$21,200	12/11/98	03/24/99	01/06/00	04/27/01	2nd & 3rd request letters were not issued timely - debt has been referred to RO/DCIA letter issued.
16-6511	07/27/00	BL	\$6,034	\$6,034	09/05/00	n/a	n/a	02/23/01	2nd Request and DCIA letter were not issued timely.
16-7267	07/10/98	AQ	\$23,380	\$10,691	01/21/00	04/18/00	n/a	09/07/00	2nd & 3rd request letters were not issued timely - DCIA letter has been issued.
19-7314	04/26/00	AL	\$12,100	\$12,100	09/28/00	n/a	n/a	n/a	Overpayment closed on 10/02/00; therefore, no additional letters were needed
21-7061	04/29/98	AQ	\$398,563	\$18,517				08/28/00	This account closed 3/30/01 - files are in storage. We assume 2nd & 3rd req. were issued
37-7557	09/30/98	AK	\$333,472	\$333,472	01/14/99	03/25/99	n/a	03/30/01	2nd & 3rd request letters were not issued timely - DCIA letter has been issued.
39-7445	09/20/99	AQ	\$289,770	\$289,770	12/13/99	02/10/00	n/a	09/05/00	2nd & 3rd request letters were not issued timely - DCIA letter has been issued.
39-7504	09/16/98	AQ	\$32,951	\$32,951	08/24/00	n/a	n/a	09/22/00	2nd request letter was not issued timely - DCIA letter has been issued.
39-7699	12/16/98	AQ	\$21,152	\$21,152	05/17/00	07/17/00	n/a	09/15/00	2nd & 3rd request letters were not issued timely - DCIA letter has been issued.
49-7242	12/13/99	AQ	\$576	\$576	02/07/00	n/a	n/a	10/23/00	2nd request letter was not issued timely - DCIA letter has been issued.
49-7519	08/07/99	AQ	\$11,285	\$8,380	12/21/99	02/09/00	n/a	09/08/00	2nd & 3rd request letters were not issued timely - DCIA letter has been issued.
49-7528	08/10/99	AK	\$278,132	\$278,132	11/05/99	12/07/99	n/a	10/12/00	2nd request letter was not issued timely - DCIA letter has been issued.
51-7029	11/05/99	AQ	\$528,463	\$528,463			n/a	09/18/00	2nd & 3rd request letters not found with file.

Key: (A) No response from provider to previous 2nd/3rd Request letters. Therefore, no 2nd/3rd Request letters were issued for this debt. This debt was included with RO referral or DCIA letter with other (B) Delay in issuance of letters caused by ongoing negotiation for compromise with CMS RO. (C) 2nd Request issued on previous debt(s) only - this debt was added to subsequent 3rd Req, RO Referral, or DCIA.

## DEMAND MAILOUT ASSEMBLY PROCEDURES

**RED FOLDERS = IRS  
MANILLA FOLDERS = ON GOING**

### PREPARE EMPLOYER PACKAGE:

- Each package contains:
- 1) Employer Letter
  - 2) MSP Summary Data Sheet
  - 3) Medicare A MSP Recovery Report by Employer
  - 4) Claim(s)

### PREPARE FILE FOLDERS (PART A&B):

- Each folder contains:
- 1) IRS/SSA/ HCFA Data Match Accountability Worksheet (when file is an **IRS Data Match**)
  - 2) Copy of the letter
  - 3) MSP Summary Data Sheet
  - 4) Update Screen printout and Query Screen printout, after the system has been updated (when file is an **IRS Data Match**)
  - 5) Medicare A MSP Recovery Report by Employer
  - 6) Claim(s)
  - 7) Copy of certified slips

Breakout demand and file copies into individual employer packages. Check for duplicates, making notation on demand and file folder copy for our records. Make a notation when typing the file folder label (examples: 'Demand Not Sent, Dup' or '2 Demands' when the same beneficiary name is listed but the demands are not a duplicate of each other).

Place the demand packages in alphabetical order for easier identification when the green certified slips return to the office. Make labels for certified slips, envelope and file folder. The addresses may be incomplete (street address). Research addresses through Directory Assistance or the Internet. When the insurer is Blue Cross and Blue Shield of Alabama, other options to locate a complete address are HIMR (mspa, HICN), BUDS26 (first four letters of the company name with the first letter of the city and the state), MELG to learn group (and division) number and then QGRP to locate an employer address. Use the labels selection in Word (Avery #5160). Type the first label (Universe font, 12 pt), then duplicate the label three times using copy and paste. Using 14 pt, type a label with the beneficiary's Medicare number and name; 'Data Match, Cycle # **when IRS Demand**; and 'On Going letter date, A&B' **when On Going Demand**. When one employer has more than one beneficiary listed, type an employer label (12 pt) and beneficiary label (14 pt) for each beneficiary's file folder. After all addresses are researched and labels are typed, print labels on Avery #5160 stock.

Suggested steps for placing package and folders together:

- 1) Count out the number of envelopes, certified slips and folders.
- 2) Place the return sticker on the back of each green card. **Note the letter date (date mailed) in red pen** so that when the green card is returned, you will know which list to look on when noting the date we received the returned green card.

With your stack of divided demand **packages** that are marked for duplicates, start assembly. Place an employer label on the front of a white and a green certified slip and on the envelope. On the front of the green card, place the certified number in block 4a. and check 'Certified' in block 4b. On the file copy, highlight the employer name and note the certified number in red pen. Place each beneficiary's packet of info. in their employer's envelope (use one employer envelope when multiple beneficiary packets are involved for that employer). Place the labeled white and green certified slips on the employer envelope.

- 3) At the copier, make one copy of the front of the white certified slip along with the back of the green certified slip to note 1) our mailing the package certified, 2) the date the demand was mailed and 3) that our return address was included for proper return to our office (make multiple copies of the slips when multiple beneficiary packages are to be mailed in one employer envelope so that each individual beneficiary file folder will contain a copy). Also make duplicate copies of the letter for the employers who have more than one beneficiary (one for each folder).
- 4) With your stack of divided **file folder** copies that are marked for duplicates, start assembly. Place an employer label and beneficiary label on each folder (red = IRS Demand and manilla = On Going Demand). Place each packet of info. into the beneficiary's individual folder (do this for each beneficiary when multiple beneficiaries are involved with one employer), including the copied employer letter in step 3. **Update MPARTS**. Place the Update Screen printout and Query Screen printout in the folder.
- 5) Rubber band the stack of envelopes, mark cost center 364 on a post-it note (attach to the stack) and bring them to the Mailroom.
- 6) File the folders in the MSP file room pending cabinets.
- 7) On return of the green cards, stamp the date received on the front of each card. Note the received date on the file copy (filed by date mailed). File the green card in the black card file box (alphabetically), stored in a locked cabinet.