Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

PROVIDER ENROLLMENT, CHAIN AND OWNERSHIP SYSTEM: EARLY IMPLEMENTATION CHALLENGES

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Inspector General

April 2007
OEI-07-05-00100

Office of Inspector General

http://oig.hhs.gov

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EXECUTIVE SUMMARY

OBJECTIVE

To assess the early implementation of the Provider Enrollment, Chain and Ownership System (PECOS) related to the timely processing of Medicare provider enrollment applications and system access.

BACKGROUND

The PECOS is the repository of enrollment records for Medicare providers, such as physicians, hospitals, and laboratories. It is the primary source for provider enrollment information and serves as the frontline defense to keep fraudulent providers from participating in Medicare. The PECOS was expected to greatly reduce the amount of time needed to process provider enrollment applications. When the PECOS began operating in 2002, implementation problems caused delays in processing enrollment applications.

The PECOS began initial operations with Part A contractors in July 2002; Part B contractors followed in November 2003. It contains providers' full names; unique identifiers, such as Social Security numbers or tax identification (ID) numbers; and relationships between providers (e.g., group practices and ownership). The system is not fully populated with all Medicare providers, nor is it used to enroll all provider types (e.g., durable medical equipment suppliers). Future plans for the PECOS include housing each provider's National Provider Identifier and inclusion of enrollment information for durable medical equipment suppliers and Medicaid providers.

The Office of Inspector General (OIG) collected records from contractors of all provider enrollment applications exceeding the Centers for Medicare & Medicaid Services (CMS) timeframes for July 2005. OIG aggregated this data, selected stratified random samples of applications, and contacted the contractor that owned each application to determine the reason it was delayed. Between November 2005 and January 2006, OIG conducted structured interviews with all contractors regarding their experiences with PECOS, factors that commonly delay processing of applications, PECOS training and guidance received, their understanding of application-processing procedures, and their oversight by CMS. OIG also conducted structured interviews with provider enrollment and PECOS access staff in each CMS regional office and in CMS's central office.

FINDINGS

Because of misinterpretation of CMS guidance, the majority of Part A applications contractors reported as exceeding timeframes as of July 31, 2005, had not actually exceeded timeframes. Sixty-six percent of the Part A applications reported as exceeding the 99-percent processing timeframe had not actually exceeded it. The misclassification was due to the fact that contractors retained applications awaiting tie-in notices in pending inventory or failed to update the record status in the PECOS correctly. Eighteen percent of Part A applications reported as exceeding timeframes were delayed due to a backlog of applications waiting to be processed by one contractor. The remaining Part A applications were delayed for a variety of other reasons, including complex provider ownership structures requiring extensive documentation, contractor staff errors, and difficulty validating Social Security numbers.

Part B applications contractors reported as exceeding timeframes as of July 31, 2005, were primarily the result of one contractor's backlog and providers' failure to respond to requests for information. One Part B contractor reported backlogs of applications waiting to be processed that accounted for an estimated 52 percent of Part B applications reported as exceeding timeframes. This contractor did not provide a specific explanation for the backlog. Forty-one percent of applications reported as exceeding processing timeframes were the result of providers' failure to respond to requests for missing or corrected application information.

Over half of all contractors reported difficulty accessing the PECOS. At the time of our review, 61 percent of contractors (25 of 41) reported receiving frequent, intermittent notices from CMS asking them to use PECOS only during certain time periods. In addition, over half of contractors reported difficulty obtaining and/or recertifying user IDs with PECOS access for their employees. Many contractors reported that these problems caused them difficulty in meeting application-processing timeframes.

CONCLUSION

Our review of the reasons for delayed application processing found that many current Part A applications identified as late had been incorrectly reported as late because of contractor staff misunderstanding of application-processing policy. The applications that were delayed

because of workload backlogs were confined to two large contractors. The changes to the application-processing guidelines implemented in March 2006 specify that processing time does not begin until the contractor receives a complete and correct application. This may reduce the potential for workload backlogs in the future. Finally, over half of all contractors reported difficulty accessing the PECOS.

Based on these findings, we offer to CMS the following suggestions for improvement.

- CMS could conduct updated training for Part A contractor staff to ensure consistent understanding of application-processing policy, specifically regarding when application-processing time ends in relation to receipt of tie-in notices to maintain compliance with the revised "Program Integrity Manual."
- CMS may also want to address issues with system access and user IDs that could lead to future delays in application processing.
- CMS may also want to determine the need for increased system capacity to ensure that periods of limited access to the PECOS will not reoccur as planned initiatives, such as the National Provider Identifier and enrollment of Medicaid providers, are implemented.
- Finally, CMS could revise the Enterprise User Administration Workflow process to prevent user ID requests and recertifications from being denied because of factors such as incorrect approver e-mail addresses, approvers being on leave, or approvers not acting upon e-mails.

AGENCY COMMENTS

CMS indicated in its comments that the information in the report will assist in its ongoing management of the PECOS, but believes that the startup issues noted have been resolved. With regard to training, CMS stated that it has worked with Part A contractors and its own staff to increase understanding of application processing timeframes, specifically with regard to delayed receipt of tie-in notices. With regard to system access and capacity, CMS stated that it has addressed this issue by starting to transition PECOS from a DB2 to an Oracle environment to limit the interference that other CMS applications have

on PECOS. Finally, CMS stated that it will consider more effective ways to improve the Enterprise User Administration Workflow process.

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INTRODUCTION

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BACKGROUND

The PECOS is the repository of enrollment records for Medicare providers, such as physicians, hospitals, and laboratories. It is the primary source for provider enrollment information and serves as the frontline defense to prevent fraudulent providers from participating in Medicare. The PECOS was expected to greatly reduce the amount of time needed to process provider enrollment applications. When the PECOS began operating in 2002, implementation problems caused delays in processing enrollment applications. These delays attracted the attention of Congress and the American Medical Association (AMA). AMA concluded that the PECOS negatively impacted contractor workloads, resulting in delays to both provider enrollment and claims payment.[1] We conducted this study, in part, because of concerns over reported delays.

The PECOS began initial operations with Part A contractors in July 2002; Part B contractors followed in November 2003. It contains providers' full names; unique identifiers, such as Social Security numbers or tax identification (ID) numbers; and relationships between providers (e.g., group practices and ownership). The system is not fully populated with all Medicare providers—contractors are required to create PECOS records as providers submit initial applications or changes to existing information. The PECOS is not yet used to enroll all provider types (e.g., durable medical equipment suppliers). Therefore, existing providers who have not had cause to submit changes to their information do not have PECOS records yet. Future plans for the PECOS include housing each provider's National Provider Identifier and inclusion of enrollment information for durable medical equipment suppliers and Medicaid providers.

[1] "Centers for Medicare & Medicaid Services Working to Improve Provider Enrollment Process," Medlearn Matters Number SE0417, May 4, 2004.

PECOS' Role in the Provider Enrollment Process

The primary purposes of the PECOS are to:

- collect information for an applying provider/supplier and record the associations between the applicant and those who have an ownership or control interest in the entity;
- permit informed enrollment decisions based on past and present business history and any reported exclusions, sanctions, and felonious behavior at their location or in multiple contractor jurisdictions; and
- ensure that claim payments are made to the correct payee.[2]

To initiate an enrollment action, providers complete an application (Form CMS 855) and submit it to the appropriate contractor. There are three types of enrollment actions: (1) initial enrollment, (2) reassignment of provider's benefits, and (3) change of information. Changes of information include changes of ownership from a seller and changes of ownership from a buyer. Upon receipt of any of these applications, contractor staff verify that the information is complete and correct and enter the data into the PECOS.

Contractors verify numerous pieces of information during the provider enrollment process, including licensing; address; absence from the Office of Inspector General (OIG) exclusions list; and, for institutional providers, survey and certification information. In addition, contractors follow up with providers to resolve any missing or incorrect information (e.g., missing signature, incorrect date), which sometimes adds weeks or months to processing time. For institutional providers (e.g., hospitals, skilled nursing facilities), some types of applications require survey and certification by a State agency. After verifying the information in these applications, the contractor sends the application to the appropriate State agency for survey and certification. The Centers for Medicare & Medicaid Services (CMS) requires that a contractor's processing time for this type of application end when the contractor sends its recommendation for approval or denial to the State agency, meaning that the application should no longer be listed as pending.[3] After the

[2] 66 Federal Register 51961 (2001).

[3] "Medicare Program Integrity Manual," Pub. No. 100-08, chapter 10, section 2.3(D). During the review period, this requirement was located in an earlier version of chapter 10, section 15, effective March 26, 2004 (prior to Rev. 150, effective July 30, 2006).

State agency completes its certification of a provider and advises CMS's regional office of the results, CMS's regional office completes a notice to indicate its approval of the provider, called a tie-in notice, and submits this notice to the contractor to complete the enrollment process.

Contractor Responsibilities. According to CMS requirements applicable during the review period, contractors were required to process 90 percent of the applications received within 45 or 60 days (depending on application type) and 99 percent of the applications received within 60 or 120 days (depending on application type). Because CMS allowed processing times for 1 percent of applications to exceed either 60 or 120 days, having applications that exceed these timeframes does not necessarily mean contractors were noncompliant. Table 1 gives required timeframes for processing various types of applications during the review period, as described in the "Medicare Program Integrity Manual" (PIM).[4]

Table 1: Contractors' Timeframes for Processing Provider Enrollment Applications by Type*

Application Type	Processing Timeframes	
	90 percent of Applications Processed Within	99 percent of Applications Processed Within
Initial Enrollment	60 days	120 days
Reassignment of Benefits	45 days	60 days
Change of Information	45 days	60 days
Change of Ownership – Seller	45 days	60 days
Change of Ownership – Buyer	60 days	120 days

Source: PIM, Pub. No. 100-08, chapter 10, section 15, effective March 26, 2004.

*We received information from CMS officials regarding the processing timeframes for changes of ownership for sellers and buyers. The version of the PIM in effect during the review period did not specify the timeframes for these application types. The current version of the manual gives processing timeframes for these application types in chapter 10, sections 2.1 and 2.2.

[4] At the time of our review, the PIM was being revised to reflect changes in application-processing policy. As of July 30, 2006, 80 percent of applications for initial enrollment and change of ownership from a buyer must be processed within 60 days, and 80 percent of applications for change of information, reassignment of benefits, and change of ownership from a seller must be processed within 45 days. Processing timeframes currently in effect are located in chapter 10, section 2 of the manual, Rev. 150.

User IDs. To obtain a user identification (user ID) and password to access the PECOS, each potential user (requester) at a contractor submits an Application for Access to CMS Computer Systems (CMS Form 20037) to the appropriate CMS regional office. This application is entered by CMS regional office staff into a CMS tracking system, called Enterprise User Administration (EUA) Workflow. The request is then routed to two predefined approvers (one is the requester's manager, and one is a CMS employee); EUA Workflow contains information regarding the assigned approvers for each contractor. These approvers receive system-generated e-mails notifying them that a request is awaiting approval. If approvers do not act on the request within 4 days, they receive a second e-mail notice; if approvers still do not act within an additional 4 days, they receive a third notice. Four days after the third notice, if the request has not received both approvals, the system closes the request and notifies the requester. If the request receives two approvals, it is routed to a final CMS approver, who grants access to the PECOS. Once this final approval is complete, the requester receives an e-mail notification that a user ID has been assigned and access has been granted. See Appendix A for a flowchart of this process.

All PECOS users must recertify their user IDs annually. The recertification process is similar to the user ID assignment process. The PECOS users receive system-generated e-mails 45 days before their user IDs expire, advising them to recertify and providing a link to the EUA Workflow. Users log into the EUA Workflow to verify personal information and needed applications and to complete privacy and security training. Once these tasks are completed, the recertification request enters an approval process similar to that required for initial applications; however, the third approval is not necessary for recertification.

METHODOLOGY

To assess implementation of the PECOS regarding timely processing of Medicare provider enrollment applications and system access, we collected information from three sources: contractors, CMS regional offices, and CMS's central office. We explored the possibility of collecting pending application information from the PECOS directly, but the PECOS was unable to produce the necessary information at that

time.[5] Therefore, we collected data on the number of applications pending as of July 31, 2005, from the contractors. From these, we selected a sample of applications that exceeded 60 or 120 days, depending on application type, and asked contractors why the processing of the sampled applications had been delayed. We also conducted structured interviews with provider enrollment staff from each of the contractors, CMS regional offices, and CMS's central office.

Part A Sample. From the contractors administering the 32 Part A contracts, we requested data on the number of applications pending as of July 31, 2005, including information on the age of the applications. We aggregated these data to create a national data set of Part A pending provider enrollment applications. Part A contractors reported 2,590 pending applications, 476 of which were pending longer than either 60 or 120 days, depending on the type of application. Table 2 displays the pending applications reported by Part A contractors.

Table 2: Part A Contractors' Pending Applications as of July 31, 2005

Application Types	Total Pending	Pending Applications Exceeding 60 or 120 Days	
		Number	Percentage
Initial Applications	522	150	28.74%
Changes of Information	1,583	140	8.84%
Change of Ownership - Seller	191	97	50.79%
Change of Ownership - Buyer	294	89	30.27%
Total	2,590	476	18.38%

Source: OIG analysis of contractor pending application information, 2005.

We limited the Part A population to the 476 applications that exceeded the timeframe for the appropriate application type (120 days for initial enrollments and changes of ownership from buyers and 60 days for changes of information and changes of ownership from sellers) and asked the contractors to provide identifying information on each of the 476 applications. We selected a stratified random sample from the 476 applications to ensure that all application types and contractors were represented.

[5] Functionality to produce pending application information was added to the PECOS after the period of our review.

The strata are illustrated in Table 3. One large Part A contractor accounted for the majority of the change of ownership from buyer and change of ownership from seller application types. For these application types, we created substrata to ensure that applications were selected from a variety of contractors. Substratum A represents the contractor holding the majority of the change of ownership applications.

Table 3: Part A Sample and Populations

Application Type	Sample Size	Population
Initial Enrollments	60	150
Change of Information	75	140
Change of Ownership – Seller	Substratum A 35	84
	Substratum B 13	13
Change of Ownership – Buyer	Substratum A 40	77
	Substratum B 12	12
Total	235	476

Source: OIG analysis of contractor pending application information, 2005.

Part B Sample. From the contractors administering the 29 Part B contracts, we requested data on the number of applications pending as of July 31, 2005, including information on the age of the applications. We aggregated these data to create a national data set of Part B pending provider enrollment applications. Part B contractors reported 48,477 pending applications, 673 of which were pending longer than 60 or 120 days, depending on the type of application. Table 4 displays the pending applications reported by Part B contractors.

Table 4: Part B Contractors' Pending Applications as of July 31, 2005

Application Types	Total Pending	Pending Applications Exceeding 60 or 120 Days	
		Number	Percentage
Initial Applications	31,873	120	0.38%
Changes of Information	8,434	424	5.03%
Reassignment of Benefits	8,170	129	1.58%
Total	48,477	673	1.39%

Source: OIG analysis of contractor pending application information, 2005.

We limited the Part B population to the 673 applications that exceeded the timeframe for the appropriate application type (120 days for initial enrollments and 60 days for changes of information and reassignment of benefits) and asked the contractors to provide us with identifying information on each of the 673 applications. We selected a stratified random sample from the 673 applications to ensure that all application types and contractors were represented.

The strata are illustrated in Table 5. One large Part B contractor held the majority of the change of information application type. For this application type, we created substrata to ensure that applications were selected from a variety of contractors; substratum A represents the contractor holding the majority of the change of information applications. We reduced our sample size from 190 to 185 because, as a result of contractor errors, 5 applications that contractors provided did not exceed the timeframe for the application type.

Table 5: Part B Sample and Populations

Application Type	Sample Size	Adjusted Sample	Population
Initial Enrollments	60	58	120
Change of Information	Substratum A 40	40	311
	Substratum B 30	28	113
Reassignment of Benefits	60	59	129
Total	190	185	673

Source: OIG analysis of contractor pending application information, 2005.

Contractor Interviews. Between November 2005 and January 2006, we conducted structured interviews with the 41 contractors that held the 32 Part A and 29 Part B contracts regarding their experiences with the PECOS, the factors that commonly delayed processing of applications, the guidance they received, and their understanding of application-processing procedures.

CMS Interviews. We conducted structured interviews in January and February 2006 with staff responsible for producing tie-in notices and staff involved in granting access to the PECOS in each CMS regional office and with CMS central office staff responsible for provider enrollment and access to the PECOS.

Standards

This study was conducted in accordance with the "Quality Standards for Inspections" issued by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

FINDINGS

Because of misinterpretation of CMS guidance, the majority of Part A applications contractors reported as exceeding timeframes as of July 31, 2005, had not actually exceeded timeframes

Sixty-six percent of the Part A applications reported as exceeding the 99-percent processing timeframe had not actually exceeded it. The misclassification was due to the fact that contractors retained applications awaiting tie-in notices in pending inventory or failed to update the record status in the PECOS correctly. For applications that require tie-in notices, the PIM states that a contractor's processing time ends when the contractor sends its recommendation for approval or denial to the State agency. Therefore, contractors should not have categorized these applications as pending. Our structured interviews revealed that staff from eight contractors incorrectly believed that processing time included time spent waiting for tie-in notices. In addition, contractors reported incorrectly categorized applications as a result of failing to update the PECOS. For example, some contractors failed to change the status of applications to "closed" when they were complete. Contractors' failure to apply the various record statuses correctly caused applications to be categorized as exceeding processing timeframes when, in fact, they had not.

Eighteen percent of Part A applications reported as exceeding timeframes were delayed due to a backlog of applications waiting to be processed by one contractor. Staff from this contractor explained that the backlog was due to an increase in Federally Qualified Health Center enrollments and that they were unable to add staff quickly enough to accommodate the additional workload.

The remaining Part A applications were delayed for a variety of other reasons, including complex provider ownership structures requiring extensive documentation, contractor staff errors, and difficulty validating Social Security numbers. Appendix B provides the number of sampled applications, projections, and confidence intervals for each cause of delay.

Part B applications contractors reported as exceeding timeframes as of July 31, 2005, were primarily the result of one contractor's backlog and providers' failure to respond to requests for information

One Part B contractor reported backlogs of applications waiting to be processed that accounted for an estimated 52 percent of Part B applications reported as exceeding timeframes. This contractor did not provide a specific explanation for the backlog.

Forty-one percent of applications reported as exceeding processing timeframes were the result of providers' failure to respond to requests for missing or corrected application information. The version of the PIM in effect during the review period provided that in ". . . situations where [contractors] have made at least three attempts to contact the applicant for information, and the applicant is not responding to those requests, [contractors should] close the application after 120 days." The PIM further provided, "Anytime the information is received during the 120-day cycle, process [the application] even if the delay in processing was not caused by the contractor. Therefore, if the applicant waited until the 99th day to send the information, the contractor is required to process it . . . ." Therefore, contractors should process applications anytime information is received, even if doing so will make the processing of the application take more than 120 days.

However, contractors inconsistently interpreted the PIM guidance concerning when to close an application for provider nonresponse. Some contractors believed that the status of applications could be changed to "closed" 7 days after the third contact attempt; others believed that applications were no longer counted in pending inventory after three contact attempts, but that the status of the applications could not be changed to "closed" until 120 days had elapsed; still others believed that all applications had to be held open for 120 days regardless of whether the provider responded to follow-up requests. Additionally, some contractors indicated that they would keep an application open longer than 120 days if the provider showed cooperation with requests, in accordance with the PIM guidance; others would not, closing all applications at 120 days regardless of whether the provider had been cooperative. Misinterpretation of when to close applications for provider nonresponse could cause inconsistent reporting of pending inventory. Therefore, some applications that should have been closed may have been incorrectly reported as exceeding timeframes and others that should have been left open may have been incorrectly closed.

CMS staff indicated that, in March 2006, the application-processing guidelines changed to specify that processing time for each application does not begin until the contractor receives a complete and correct application. We interviewed contractors in November 2005 through January 2006. Therefore, the policy change did not affect the pending applications we discussed with contractors, meaning that we could not determine whether this change eliminated pending applications due to provider nonresponse.

The remaining Part B applications did not meet established timeframes for a variety of other reasons, including contractor staff errors, difficulty validating Social Security numbers, problems with transferring records to the claims payment system, and problems with conducting visits to the providers' locations. Appendix B provides the number of sampled applications, projections, and confidence intervals for each cause of delay.

Over half of all contractors reported difficulty accessing the PECOS

We conducted our interviews with contractors between 4 and 6 months after the date of our pending application information (July 2005). In these interviews, contractors discussed their current and past experiences, which included difficulty accessing the PECOS at the time of our interviews. Sixty-one percent of contractors (25 of 41) volunteered that they received frequent, intermittent notices from CMS, asking them to use the PECOS only during certain time periods. For example, CMS advised contractors in the eastern time zone to work in the PECOS only from 6 a.m. to 12 p.m. During these periods, the system limited access to the PECOS to 150 simultaneous users across the Nation.[6]

Thirty-one percent of contractors (13 of 41) reported that limited access to the PECOS compromised their ability to meet timeliness requirements. One contractor with more than 50 PECOS users indicated that its need for access was 4 times greater than allowed during these periods. One contractor with over 100 PECOS users tried

[6] We determined that there were more than 1,400 registered users of the PECOS as of May 2006. CMS noted in their comments to the draft report that peak concurrent usage equates to 270-300 users. We have no reason to believe that the number of users changed substantially between the time of our interviews (November 2005–January 2006) and May 2006.

staggering work hours (beginning at 4 a.m.), but found that these efforts did not alleviate the problem. As one contractor staff person described the problem, "[We] have three drawers of files that need to be keyed and are aging," but because of the limited access to the PECOS, the contractor's staff were unable to complete this work.

CMS staff confirmed that periods of limited access to the PECOS occurred, explaining that implementation of Medicare Part D was the cause. Server capacity usually devoted to the PECOS had to be diverted to process Part D enrollments. The access problems had abated as of January 2006, according to CMS staff, and no significant downtime occurred between January and March 2006.

Given the initiatives planned for CMS computer systems in general, such as implementing the National Provider Identifier, and, for the PECOS specifically, such as enrollment of durable medical equipment suppliers and Medicaid providers, the system may again be overtaxed if CMS does not adequately plan for future needs.

Half of contractors experienced difficulties obtaining and recertifying user IDs

Fifty-one percent of contractors (21 of 41) reported that they had experienced difficulty obtaining or recertifying user IDs for their employees. According to contractor staff, new users waited up to 12 weeks after submitting applications for their user IDs, delaying them from beginning work. Contractors also reported difficulty with annual recertifications of user IDs. As one contractor staff person noted, "[We] get an e-mail saying an employee needs to revalidate about 30 days before revocation [of the user ID] occurs, and [we] get the forms going as soon as possible, but [our] employees still end up getting revoked."

Requests for new user IDs and recertifications of existing user IDs must be processed through a series of approvers; requests are often left unprocessed, according to contractor and CMS regional office staff. CMS central office staff verified these concerns. Problems occur in the process when the e-mail address for an approver is incorrect, when an approver is on leave, or when an approver does not act upon the e-mail notification. When approvers do not respond in time, the request for a new user ID is closed or, in case of a recertification, the user ID is revoked. Either of these two events can cause contractor employees to have to start the user ID process over, thereby delaying their access to the PECOS and losing application-processing time.

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CONCLUSION

Our review of the reasons for delayed application processing found that many current Part A applications identified as late had been incorrectly reported as late because of contractor staff misunderstanding of application-processing policy. The applications that were delayed because of workload backlogs were confined to two large contractors. The changes to the application-processing guidelines implemented in March 2006 specify that processing time does not begin until the contractor receives a complete and correct application. This may reduce the potential for workload backlogs in the future. Finally, over half of all contractors reported difficulty accessing the PECOS.

Based on these findings, we offer to CMS the following suggestions for improvement.

- CMS could conduct updated training for Part A contractor staff to ensure consistent understanding of application-processing policy, specifically regarding when application-processing time ends in relation to receipt of tie-in notices to maintain compliance with the revised PIM.
- CMS may also want to address issues with system access and user IDs that could lead to future delays in application processing.
- CMS may also want to determine the need for increased system capacity to ensure that periods of limited access to the PECOS will not reoccur as planned initiatives, such as National Provider Identifier and enrollment of Medicaid providers, are implemented.
- Finally, CMS could revise the EUA Workflow process to prevent user ID requests and recertifications from being denied because of factors such as incorrect approver e-mail addresses, approvers being on leave, or approvers not acting upon e-mails.

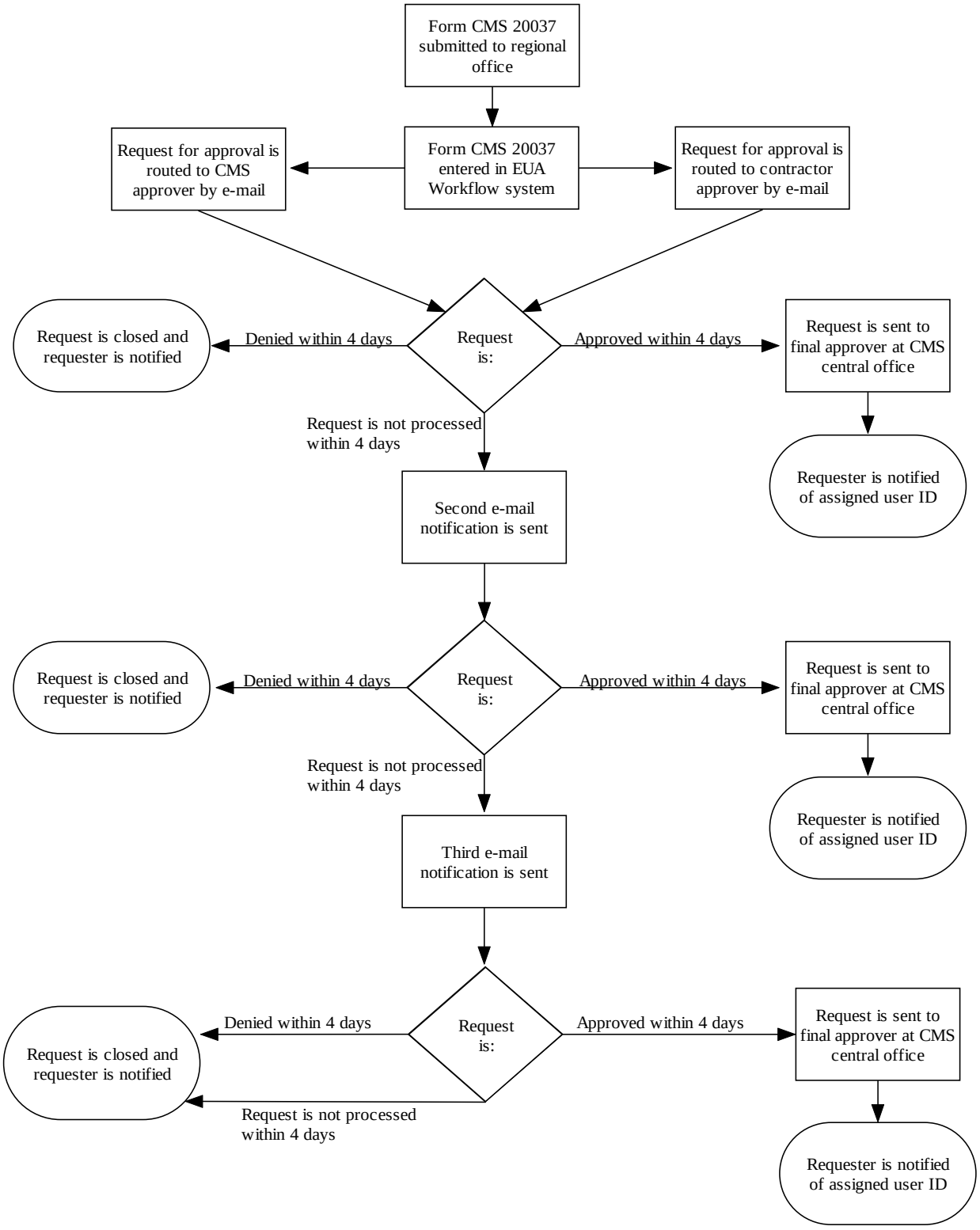
AGENCY COMMENTS

CMS indicated in its comments that the information in the report will assist in its ongoing management of the PECOS, but believes that the startup issues noted have been resolved. With regard to training, CMS stated that it has worked with Part A contractors and its own staff to

increase understanding of application processing timeframes, specifically with regard to delayed receipt of tie-in notices. With regard to system access and capacity, CMS stated that it has addressed this issue by starting to transition PECOS from a DB2 to an Oracle environment to limit the interference that other CMS applications have on PECOS. Finally, CMS stated it will consider more effective ways to improve the EUA Workflow process. We made technical corrections based on CMS's comments, as appropriate. For the full text of CMS's comments, see Appendix C.

APPENDIX A

Flowchart of the EUA Workflow Process for Approving a CMS Computer Systems User ID



APPENDIX B

Sample Sizes, Projections, and Confidence Intervals for Reasons of Delay in Application Processing

Reasons Why Part A Applications Were Reported as Exceeding Processing Timeframes			
Reason*	**Number of Applications in Sample**	**Point Estimate**	**95-Percent Confidence Interval**
Contractor misunderstanding of application processing policy	139	66%	63.5% - 68.3%
Backlogs in contractor inventory	48	18%	15.8% - 20.3%
Other (e.g., complex ownership structures, contractor staff errors, difficulty validating Social Security numbers)	48	Not projected	
Total	235		

*Some applications were delayed for multiple reasons. Applications that were delayed because of (1) contractor misunderstanding and any other reason, or (2) contractor backlog and any other reason were counted in either the misunderstanding or backlog category, but not in both categories.

Source: OIG analysis of contractor reasons for delay, 2005.

Reasons Why Part B Applications Were Reported as Exceeding Processing Timeframes			
Reason*	**Number of Applications in Sample**	**Point Estimate**	**95-Percent Confidence Interval**
Provider failure to respond to requests for information timely	99	41%	36.6% - 44.5%
Backlogs in contractor inventory	65	52%	47.6% - 55.8%
Other (e.g., difficulty conducting site visit, difficulty transferring information to claims payment system)	21	Not projected	
Total	185		

*Some applications were delayed for multiple reasons. Applications that were delayed due to (1) provider nonresponse and any other reason, or (2) contractor backlog and any other reason were counted in either the provider nonresponse or backlog category, but not both categories.

Source: OIG analysis of contractor reasons for delay, 2005.

APPENDIX C

Agency Comments

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

DATE: MAR - 8 2007

TO: Daniel R. Levinson
Inspector General

FROM: Leslie V. Norwalk, Esq.
Acting Administrator

SUBJECT: Office of Inspector General (OIG) Draft Report: "Provider Enrollment, Chain and Ownership System: Early Implementation Challenges" (OEI-07-05-00100)

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2007 MAR 12 PM 12 52
OFFICE OF INSPECTOR GENERAL

Thank you for the opportunity to review the subject OIG draft report. The draft report relates to the early implementation of the Provider Enrollment, Chain and Ownership System (PECOS). This information will assist in our on-going management of PECOS and our underlying computer systems. We would like to point out that, since the contractors have been using PECOS for more than 4 years now, the Centers for Medicare & Medicaid Services (CMS) believes that the start-up issues noted in this report have been resolved.

Comments on Suggestions for Improvement:

The OIG has offered several suggestions for PECOS improvements. We have the following comments on these suggestions:

1) The OIG has suggested that we train Part A contractor staff to ensure an understanding of enrollment policy and PECOS operations, specifically processing times and tie-in notices.

   We have worked with the Part A contractors over the past 4 years on this issue and believe that they now have a better understanding of processing times and the information contained in the PECOS workload reports. We have also met with appropriate CMS staff regarding delays in receipt of tie-in notices and their effect on processing times to help resolve this issue.

2) The OIG suggested that we address issues with system access and user IDs that could delay application processing.

   PECOS access issues are caused by competition for database 2 (DB2) resources by other CMS applications within the CMS Data Center. CMS has addressed this issue by starting to transition PECOS from a DB2 environment to an Oracle environment to limit the interference that other CMS applications have on PECOS.

3) The OIG has suggested that we increase system capacity to ensure that periods of limited access to PECOS will not reoccur as other planned initiatives are implemented.

   CMS believes that there is sufficient processing capacity within PECOS. The issue is competition for data center resources, as explained in comment 2 above. Competing resources within the CMS Data Center are managed based on Agency priorities and needs.

4) The OIG has suggested that we improve the Enterprise User Administration Workflow process.

   CMS will consider more effective ways to improve this process.

The CMS thanks OIG for its efforts on this report. We look forward to working together with OIG in the future as we continue to improve the management and operation of the PECOS system. Our technical comments on the audit report are attached.

Attachment

ACKNOWLEDGMENTS

This report was prepared under the direction of Brian T. Pattison, Regional Inspector General for Evaluation and Inspections in the Kansas City regional office, and Gina C. Maree, Deputy Regional Inspector General.

Tricia Fields served as the team leader for this study. Other principal Office of Evaluation and Inspections staff from the Kansas City regional office who contributed to the report include Michael Barrett and Michala Walker; central office staff who contributed include C. Scott Manley and Barbara Tedesco.