MEDICARE SECONDARY PAYER PROVISION- WORKING AGED IN COLORADO

JULY, 1986

CONTROL #P-07-86-00071

REGION VII
KANSAS CITY, MISSOURI

OFFICE OF ANALYSIS AND
INSPECTIONS
OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF HEALTH AND
HUMAN SERVICES

CONTENTS

I. EXECUTIVE SUMMARY

The Office of Analysis and Inspections (OAI) conducted a program inspection of the Medicare secondary payer provision as it relates to working aged in Colorado under the Tax Equity and Fiscal Responsibility Act of 1982.

Health Care Financing Administration (HCFA) data indicated there were 81 short-term hospitals in Colorado. Our inspection focused on the 21 largest short term hospitals with 200 or more beds.

Four hospitals in Colorado, all with 200 or more beds, were selected for review in conjunction with the inspection on working aged. The Colorado Foundation for Medical Care prepared for our office a list of 50 randomly selected beneficiary discharges from each hospital for the period January 1, 1983 - June 30, 1984. Results of the inspection indicated that six beneficiaries, who had received Part A and B services and a seventh beneficiary who had received Part B services, had not been identified as working aged by the contractor or hospitals.

Comparative data indicated that the four selected hospitals and the 21 hospitals in the universe had similar characteristics in functional areas reviewed. These four hospitals, therefore, would be considered representative of the 21 hospitals for purposes of projecting an overpayment.

Based on the inspection, an actual overpayment of $36,327 was made by the Medicare program for Part A and B services rendered to beneficiaries associated with the four selected hospitals. Projected to the 21 hospitals in the universe, the overpayment would be $4,342,446. Employer group health plans should have been the primary payer with Medicare being billed as the secondary payer. No attempt was made to project an overpayment to those Colorado hospitals under 200 beds.

We recommend that the HCFA Regional Office require the Colorado Medicare contractors to fully implement current guidelines according to Federal regulations, to ensure that correct Medicare payments are made and to initiate recovery action for all improper payments, retroactive to January 1, 1983.

Subsequent to release of the draft report, HCFA and OAI discussed each beneficiary case identified by OAI as working aged on a telephone conference call. After documented evidence was presented and discussed by both HCFA and OAI, agreement was reached that Medicare had incorrectly paid as the primary payer on each of the seven identified cases. One case had been dropped by OAI from the list of beneficiaries.

Comments from the contractor, with HCFA's concurrence, indicated that the Medicare Secondary Payer unit develops and reviews working aged cases dating back to 1983. Various methods are used to identify working aged including front end audits, development letters and a one-time mailing to potential working aged beneficiaries. In addition, hospitals have been given assistance through bulletins, credit balance letters, workshops and, the MSP unit's telephone number to assist them in obtaining essential data to identify working aged.

II. INTRODUCTION

This report details the findings and recommendations that resulted from this program inspection of the Medicare Secondary Payer Provision--Working Aged in Colorado--conducted by the Office of Analysis and Inspections, Office of Inspector General.

This inspection program was developed and implemented by the Office of Analysis and Inspections. Inspections are a major function of OAI as part of its responsibility to minimize the opportunity for fraud, abuse, and waste in DHHS programs. Specifically, program inspections:

(1) Examine specific program operations and/or reimbursement policies and the manner in which they are implemented to determine if they are contributing to fraud, abuse or waste, and

(2) Demonstrate the significance of the inefficient or ineffective policy or method of implementation and recommend changes which would improve program administration, contribute to ensuring that proper services are provided to eligible beneficiaries and/or save program dollars.

The format of this program inspection report is of an exception type; in that, only areas requiring improvement are presented. No conclusions regarding the overall level of an organization's performance should be drawn solely from this report.

III. SCOPE OF REVIEW

The Tax Equity and Fiscal Responsibility Act of 1982, provided that Medicare would be the secondary payer in cases where medical care can be paid by an employer group health plan. This would apply to those beneficiaries or their spouses, who were working, were aged 65-69 and were a member of a plan covering those persons.

Federal Regulations implementing this law were published in 42 CFR 405.340-344 on April 13, 1983. The regulations state that, effective for services furnished after 1982, Medicare benefits (Part A and B) are secondary to benefits payable by an employer group health plan for any month in which an individual aged 65 through 69:

(1) Is entitled to Part A benefits.

(2) Is either employed or the spouse is employed and covered under an employer group health plan.

(3) The employer has 20 or more employees.

The Colorado Foundation for Medical Care furnished the OAI regional office with a list of 50 randomly selected inpatient discharges for each of the four selected hospitals. These discharges were for beneficiaries who were aged 65-69 and were discharged during the review period, which was January 1, 1983 - June 30, 1984. Onsite visits were made to these four hospitals to obtain admission and payment data. In addition, the Medicare contractors furnished utilization and payment data on the 200 beneficiaries in the sample, secondary payer log information and guidelines used to identify and process Medicare secondary payer cases. Analysis of this data indicated that six beneficiaries or their spouses had Part A and B services billed to the Medicare program and a seventh beneficiary had Part B services.

HCFA data indicated there were 81 short-term hospitals in Colorado. This data also showed that 21 of these hospitals, which included the four selected hospitals, had 200 or more beds. The four hospitals reviewed were intended to represent this group of 21 hospitals, reflecting similar characteristcs such as size, scope of services, utilization and average length of stay.

IV. FINDINGS AND RECOMMENDATIONS

Finding 1

Medicare Paid as Primary Payer for Working Aged

The inspection found that out of 200 beneficiary discharges at four selected hospitals, six beneficiaries had received Part A and B services and a seventh beneficiary, Part B services which had not been identified by the contractor or providers as working aged. Based on contractor payment data, $36,327 was paid by Medicare for these seven beneficiaries as primary payer, instead of being the secondary payer. Projecting the overpayment in the sample to the universe of 21 hospitals, overpayments of $4,342,446 would apply for the Medicare program. No attempt was made to project an overpayment to hospitals under 200 beds.

Comparative data was obtained and analyzed for the four selected hospitals and the 21 hospitals in the universe. Functional areas reviewed indicated that the selected hospitals and the universe of hospitals compared similarly in every category. Therefore, these four hospitals would be considered representative of the 21 hospitals for purposes of projecting an overpayment.

Recommendation

We recommend that HCFA instruct the Medicare contractor to review all services provided resulting from working aged coverage beginning January 1983. Applicable recovery should be made from third party payers or providers.

Finding 2

Greater Detection Capability Needed By Medicare Contractor's Secondary Payer Unit

The Medicare contractors did not have the capability to identify all working aged as evidenced by the inspection's finding of seven working aged not identified by the contractor.

Recommendation

We recommend that HCFA instruct the Medicare contractor to improve the secondary payer unit to more effectively identify and correctly process MSP cases. This might involve such areas as the expanded training of staff and utilization of applicable detection and control procedures.

Finding 3

Improvement Needed By Hospitals in Obtaining Working Aged Information

Hospitals are not adequately obtaining critical information to identify working aged beneficiaries or their spouses. Deficiencies noted were:

(1) Lack of any information regarding employment status.

(2) Lack of information regarding the date when the employee or spouse retired. This information is necessary in order to determine the time period covered under the Employer Group Health Plan.

(3) Failure to substantially investigate age and eligibility of the Medicare beneficiary's spouse. Age of the spouse would have indicated that the spouse was aged 65 and over and could have qualified as working aged.

(4) Information obtained on other insurance or employment related insurance forms was not being transferred to the billing form submitted to the Intermediary. The Intermediary was thereby unaware of possible Employer Group Health Plan coverage.

Recommendation

HCFA should work with the Medicare contractors to assure that hospitals obtain essential information to identify working aged.

V. TABLE SUMMARIZING DOLLAR EFFECT OF REPORTED FINDING

Overpayment Projection of
Medicare Paid as Primary Payer
Rather Than Secondary

Medicare Contractor	Amount Paid in Sample	Projected Overpayment
Colorado Blue Cross	$22,176	$2,650,032
Colorado Blue Shield	14,151	1,692,414
	$36,327	$4,342,446

VI. SUMMARY OF COMMENTS SOLICITED AND RESPONSES

Comments were received from the Health Care Financing Administration and the Medicare contractor.

Health Care Financing Administration

In its response to the draft report, HCFA concurred with the contractor's comments. The contractor disagreed with OAI's findings that in each of the identified working aged beneficiaries in the draft report, Medicare should have been the secondary payer. One case had been dropped by OAI from the list of beneficiaries.

OAI then requested supporting information from HCFA as to why they believed Medicare had correctly paid as primary payer. A telephone conference call was held to discuss each of the beneficiaries contained in the report.

Subsequent to the conference call, HCFA concurred with OAI on each of the beneficiaries identified as not having primary coverage with Medicare. HCFA has instructed the contractor to begin appropriate recovery action and is working with the contractor to achieve full implementation of the recommendations in the report.

Blue Cross and Blue Shield of Colorado

The contractor disagreed with OAI's findings that seven beneficiaries had other insurance as primary. The contractor agreed with OAI on one beneficiary where Medicare was secondary. These beneficiary cases had been developed in full by the contractor and Medicare was considered primary within HCFA's guidelines on working aged. Subsequent discussion by HCFA and OAI resulted in HCFA concurring with OAI on the findings on each beneficiary.

The contractor has taken steps to identify and process working aged cases. These include the use of front-end audits and development letters being sent to beneficiaries. The contractor is working with hospitals to assist them in obtaining more pertinent information so as to more adequately identify working aged beneficiaries. Bulletins, credit balance letters, workshops and the MSP contact points are being utilized to assist hospitals in this identification process.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing
Administration, Region VIII

Refer to:

Memorandum

Date: June 27, 1986

From: Associate Regional Administrator
Division of Financial Operations

Subject: COLORADO - Medicare Secondary Payer Provisions, Working Aged in Colorado (CN-P-07-86-00071) (Draft)

To: Regional Inspector General for Analysis and Inspections
Region VII, Kansas City

Please refer to our memorandum of June 3, 1986 to you, subject as above. Our Division of Program Operations has reviewed available data at the contractor, Blue Cross and Blue Shield of Colorado, and now concurs with your findings regarding beneficiaries identified as not having primary coverage with Medicare. In line with your earlier request, we had already removed beneficiary Jesus Cano's name from your list.

The contractor has been instructed to begin appropriate recovery action. As noted in our June 3, 1986 letter to you, we will be working with the contractor to achieve full implementation of the recommendations set forth in your report.

Please direct any inquiries you may have to me at FTS 564-2641, or Ben Wilson at FTS 564-2646.

Gary Wilks, acting
for C. Salazar, Jr.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing
Administration, Region VIII

Refer to:

Memorandum

Date: June 3, 1986

From: Associate Regional Administrator
Division of Financial Operations

Subject: COLORADO - Medicare Secondary Payer Provisions, Working Aged in Colorado (CN-P-07-86-00071) (Draft)

To: Regional Inspector General for Analysis and Inspections
Region VII, Kansas City

In acordance with your request, we have reviewed the subject draft report. Some revisions may need to be made to your report as a result of the attached comments made by the contractor. Our Division of Program Operations has reviewed the contractor's comments and agrees with those comments.

We will be working with the contractor to achieve full implementation of the recommendations set forth in your report, once an agreement has been reached.

Please direct any inquiries you may have to me at FTS 564-2646, Extension 14, or Ben Wilson at FTS 564-2646, Extension 15.

C. Salazar, Jr.

Attachment

(135)
B&G

CONTRACTOR FOR
MEDICARE
Blue Cross and Blue Shield of Colorado
700 Broadway
Denver, Colorado 80273
(303) 831-2661
Toll Free. 1-800-332-6681

May 16, 1986

Mr. C. Salazar, Jr.
Associate Regional Administrator
Division of Financial Operations
Health Care Financing Administration
Region VIII
Federal Office Building
1961 Stout Street
Denver, CO 80294

SUBJECT: MEDICARE SECONDARY PAYER PROVISION - WORKING AGED IN COLORADO

Dear Mr. Salazar:

The April 29, 1986 report prepared by the Office of the Inspector General, Office of Analysis and Inspection entitled, "Medicare Secondary Payer Provision - Working Aged in Colorado" (CN-P-07-86-00071) has been reviewed by staff, and our findings and recommendations are as follows:

1. First of all, we disagree with the findings on the seven beneficiaries that were identified as having other insurance as primary. The only case that Medicare is secondary on is Ezra Goodloe, HIC 521-09-9359A, which resulted in an overpayment of $882.38. Credit activity has been established on this case. The projection of overpayments, therefore, should be approximately $105,000, not the $4,571,193; thus, it is significantly lower.

2. The other cases were developed in full, and Medicare is the primary payer within the guidelines specified by HCFA as "working aged".

FINDING I AND FINDING II:

We have an established Medicare Secondary Payer unit that handles all MSP activities. Working aged cases are developed and services are reviewed dating back to January 1983 services. Recovery action is taken as required. To identify working aged cases, several methods are used including front-end audits and development letters are sent to the beneficiaries. A "one timer" was mailed in July 1985 to all beneficiaries between the ages of 65 through 69 requesting "working aged" information (Attachment 1).*

As you note for FY 85, CPEP savings goals were met, and we are on schedule toward meeting the FY 86 CPEP working aged savings goals (Attachment 2).

* 120,000 letters mailed.

RECD DRO MAY 19 86

FINDING III:

Hospitals have been given MSP information through bulletins, credit balance letters, workshops, and all providers have been given the telephone number to contact the MSP unit directly (Attachment 3).

Thank you for the opportunity to respond to the Program Inspection Report. If you require additional information or wish to discuss any of the comments in our responses in more detail, please contact either Vicki Shaw, Manager of Medicare Suspense (831-2949)or Pam Archuletta, Supervisor of Medicare Coordination of Benefits (MSP) (831-2101).

Sincerely,

James B. Wanebo
Director,
Medicare Claims

JBW:ev
Attachments
cc: Tom Gillgannon, Vice President, Government Operations