DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

April 29, 2009

Report Number: A-05-09-00017

Ms. Melissa Halstead Rhoades
Area Director & Medicare CFO
Financial Management Operations Division
TrailBlazer Health Enterprises, LLC
8330 LBJ Freeway, 11.2402
Dallas, Texas 75243

Dear Ms. Halstead Rhoades:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of TrailBlazer Health Enterprises, LLC Medicare Payments to Providers Terminated From January 1, 2003, Through January 31, 2007." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at http://oig.hhs.gov.

If you have any questions or comments about this report, please do not hesitate to call me, or contact David Markulin, Audit Manager, at (312) 353-1644 or through e-mail at david.markulin@oig.hhs.gov. Please refer to report number A-05-09-00017 in all correspondence.

Sincerely,

Marc Gustafson
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Nanette Foster Reilly, Consortium Administrator
Consortium for Financial Management & Fee for Service Operations
Centers for Medicare & Medicaid Services
601 East 12th Street, Room 235
Kansas City, Missouri 64106

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF TRAILBLAZER HEALTH ENTERPRISES, LLC MEDICARE PAYMENTS TO PROVIDERS TERMINATED FROM JANUARY 1, 2003, THROUGH JANUARY 31, 2007

Daniel R. Levinson
Inspector General

April 2009
A-05-09-00017

Office of Inspector General

http://oig.hhs.gov

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC

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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XVIII of the Social Security Act (the Act), the Medicare program provides health insurance for people age 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services (CMS), which administers the program, contracts with fiscal intermediaries (FI) to process and pay Medicare claims submitted by health care providers.

The FIs must comply with Medicare regulations and policies, including those related to processing payments to terminated Medicare providers. Section 1814(a) of the Act provides that ". . . payment for services furnished an individual may be made only to providers of services which are eligible therefore under section 1866 [which sets forth the requirements for provider agreements] . . . ." The CMS Pub. No. 100-06, "Medicare Financial Management Manual," chapter 7, requires FIs to maintain adequate internal controls to prevent increased program costs and erroneous payments. Chapter 3, section 10.2, of the Manual states, "An individual overpayment is an incorrect payment for provider or physician services made under title XVIII. Examples . . . are . . . payment for items or services rendered during a period of non-entitlement [e.g. periods for which a provider agreement was not in effect]." Section 20.2 further states, "If the FI discovers an overpayment . . ., with respect to a provider no longer participating in Medicare, it shall immediately contact the terminated provider to obtain a refund . . . ."

TrailBlazer Health Enterprises, LLC (TrailBlazer), a FI, provides a broad range of services including claims processing and payment, customer service, and provider education and outreach. For our audit period January 1, 2003, through January 31, 2007, CMS terminated 1,018 providers serviced by TrailBlazer.

OBJECTIVE

Our objective was to determine whether TrailBlazer made unallowable payments for services that were furnished on or after the dates that the providers were terminated from the Medicare program.

SUMMARY OF FINDINGS

Prior to our audit, TrailBlazer had not recovered $227,372 in unallowable payments made to 8 providers for 631 claims that were not eligible for payment because the services were provided on or after the dates that the providers were terminated from the Medicare program. TrailBlazer had not recovered the unallowable payments prior to our audit because it lacked procedures to retroactively identify erroneous payments made to terminated providers for post-termination services. TrailBlazer confirmed the payments were unallowable and subject to recovery.

RECOMMENDATIONS

We recommend that TrailBlazer:

- recover $227,372 in unallowable payments made to the eight terminated Medicare providers and

- implement procedures to retroactively identify and recover unallowable payments for claims with dates of service on or after the providers' effective termination dates.

TRAILBLAZER COMMENTS

In written comments to our draft report, TrailBlazer said that it initiated activities to recoup the $227,372 identified as unallowable payments and described corrective actions it had taken. TrailBlazer's comments are included in their entirety as the Appendix.

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INTRODUCTION

BACKGROUND

Medicare Program

Pursuant to Title XVIII of the Social Security Act (the Act), the Medicare program provides health insurance for people age 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services (CMS), which administers the program, contracts with fiscal intermediaries (FI) to process and pay Medicare claims submitted by health care providers. Pursuant to sections 1814(a) and 1866 of the Act, Medicare reimbursement is generally limited to participating providers that have entered into and maintain provider agreements, which set forth the terms and conditions for participation in the Medicare program. Terminated providers generally can not continue to participate in the Medicare program after their effective termination dates.

Medicare Payment Requirements

Section 1814(a) of the Act provides that ". . . payment for services furnished an individual may be made only to providers of services which are eligible therefore under section 1866 [which sets forth the requirements for provider agreements] . . . ." The CMS Pub. No. 100-06, "Medicare Financial Management Manual," chapter 7, requires FIs to maintain adequate internal controls to prevent increased program costs and erroneous payments. Chapter 3, section 10.2, of the Manual states, "An individual overpayment is an incorrect payment for provider or physician services made under title XVIII. Examples . . . are . . . payment for items or services rendered during a period of non-entitlement [e.g. periods for which a provider agreement was not in effect]." Section 20.2 further states, "If the FI discovers an overpayment . . ., with respect to a provider no longer participating in Medicare, it shall immediately contact the terminated provider to obtain a refund . . . ."

TrailBlazer Health Enterprises

TrailBlazer Health Enterprises, LLC (TrailBlazer), a FI, provides a broad range of services including claims processing and payment, customer service, and provider education and outreach. For our audit period January 1, 2003, through January 31, 2007, CMS terminated 1,018 providers serviced by TrailBlazer.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether TrailBlazer made unallowable payments for services that were furnished on or after the dates that the providers were terminated from the Medicare program.

Scope

We reviewed all TrailBlazer payments for services provided by ten providers[1] after CMS terminated them from the Medicare program during the period from January 1, 2003, through January 31, 2007. We limited our review of internal controls to discussing the procedures used to retroactively identify and recover unallowable payments to terminated Medicare providers.

We performed fieldwork by contacting TrailBlazer in Dallas, Texas.

Methodology

To accomplish the objective we:

- obtained a CMS nationwide list of 4,647 Medicare providers that were terminated on dates during the review period,
- queried the National Claims History to identify potentially unallowable Medicare payments made by TrailBlazer to terminated providers for services that were provided on or after the providers' effective termination dates, and
- identified providers that each received $5,000 or more in potentially unallowable payments and obtained additional information from TrailBlazer and CMS to
    - determine whether the payments were unallowable and subject to recovery and
    - quantify the unallowable payments.

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

FINDINGS AND RECOMMENDATIONS

Prior to our audit, TrailBlazer had not recovered $227,372 in unallowable payments made to 8 providers for 631 claims that were not eligible for payment because the services were provided on or after the dates that the providers were terminated from the Medicare program. TrailBlazer had not recovered the unallowable payments prior to our audit because it lacked procedures to retroactively identify erroneous payments made to terminated providers for post-termination services. TrailBlazer confirmed the payments were unallowable and subject to recovery.

[1]TrailBlazer and CMS provided information indicating that two providers had not received unallowable payments for services provided after their effective termination dates.

MEDICARE PAYMENTS TO TERMINATED PROVIDERS

Prior to our review, TrailBlazer had not recovered $227,372 paid to 8 providers for 631 claims that were not eligible for payment because the services were provided on or after the effective dates that the providers were terminated from the Medicare program.

Federal Requirements

Pursuant to sections 1814(a) and 1866 of the Act, Medicare reimbursement is generally limited to participating providers that have entered into and maintain provider agreements, which set forth the terms and conditions for participation in the Medicare program. Section 1814(a) of the Act provides that ". . . payment for services furnished an individual may be made only to providers of services which are eligible therefore under section 1866 . . . ."

The CMS Pub. No. 100-06, "Medicare Financial Management Manual," chapter 7, requires FIs to maintain adequate internal controls to prevent increased program costs and erroneous payments. Chapter 3, section 10.2, of the Manual states, "An individual overpayment is an incorrect payment for provider or physician services made under title XVIII. Examples . . . are . . . payment for items or services rendered during a period of non-entitlement [e.g. periods for which a provider agreement was not in effect]." Section 20.2 further states, "If the FI discovers an overpayment . . ., with respect to a provider no longer participating in Medicare, it shall immediately contact the terminated provider to obtain a refund . . . ."

Unallowable Payments Not Recovered

Eight providers received unallowable Medicare payments for services that were performed on or after the effective dates that the providers were terminated from the Medicare program.

Table: Unallowable Claims and Payments

	Unallowable Claims	Unallowable Payments
Provider A	59	$113,460
Provider B	115	36,769
Provider C	40	28,439
Provider D	13	25,029
Provider E	326	7,562
Provider F	74	7,361
Provider G	3	6,518
Provider H	1	2,234
Totals	**631**	**$227,372**

TrailBlazer had not recovered the unallowable payments prior to our audit because it had not implemented procedures to retroactively identify unallowable payments that were made to terminated providers for post-termination services. The unallowable payments to the providers

were for services that were generally provided before CMS had issued the termination notices to TrailBlazer.[2]

RECOMMENDATIONS

We recommend that TrailBlazer:

- recover $227,372 in unallowable payments made to the eight terminated Medicare providers and

- implement procedures to retroactively identify and recover unallowable payments for claims with dates of service on or after the providers' effective termination dates.

TRAILBLAZER COMMENTS

In written comments to our draft report, TrailBlazer said that it initiated activities to recoup the $227,372 identified as unallowable payments and described corrective actions it had taken. TrailBlazer's comments are included in their entirety as the Appendix.

[2]Two of the CMS termination notices were issued on or prior to the providers' effective termination dates, while the remaining notices were issued from about 2 to 11 weeks after the providers' effective termination dates.

APPENDIX

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

MEDICARE

April 10, 2009

Marc Gustafson
Regional Inspector General for Audit Services
Office of Inspector General
233 North Michigan Avenue
Chicago, IL 60601

Report Number: A-05-09-00017

Dear Mr. Gustafson:

We received the March 12, 2009, draft report entitled "Review of TrailBlazer Health Enterprises, LLC Medicare Payments to Providers Terminated from January 1, 2003, Through January 31, 2007." In the draft report, the OIG recommended that TrailBlazer:

- Recover $227,372 in unallowable payments made to the eight terminated Medicare providers, and
- Implement procedures to retroactively identify and recover unallowable payments for claims with dates of service on or after the providers' effective termination dates.

Please consider the following responses to these recommendations for inclusion in the final report:

Recovery of Unallowable Payments: As a result of this audit, TrailBlazer initiated activities to recoup the $227, 372 identified as unallowable payments. A FISS issue has prevented the recovery of 150 claims for Provider E and 1 claim for Provider F. The issue has been referred for resolution to the FISS maintainer. Upon resolution of the issue by the FISS maintainer, the claims will finalize and the recovery of the remaining unallowable payments will be completed.

- **Implementation of On-going Processes:** Effective March 30, 2009, TrailBlazer has initiated a process to refer all provider terminations to the Part A Claims Department. The Part A Claims Department will identify claims paid for services provided after the termination dated and void/cancel claims not eligible for payment. Additionally, TrailBlazer identified 150 providers who terminated between February 1, 2007 and March 30, 2009. A listing of these providers has been submitted to the Part A Claims Department for identification and adjustment of claims not eligible for reimbursement due to the services provided after the termination date.

If you have any questions regarding our response, please contact me.

Sincerely,

Melissa Halstead Rhoades
Area Director & Medicare CFO

Cc: Virginia Adams, Project Officer for A/B MAC Southern Program Division
Gil R. Glover, President & Chief Operating Officer
Scott J. Manning, Vice President, Financial Mgt. Operations & J4 MAC Project Manager
Kevin Bidwell, Vice President & Compliance Officer