

"FINAL REPORT"

MEDICARE SECONDARY PAYER PROVISION
AUTOMOBILE MEDICAL AND NO-FAULT INSURANCE
NORTH DAKOTA

INSPECTION CONTROL NO. 03-08-5001-14

OAI-07-85-00114

KANSAS CITY/DENVER REGIONAL OFFICE

MAY 1, 1985

RESTRICTED FOR OFFICIAL USE ONLY

"FINAL REPORT"

TABLE OF CONTENT

Executive Summary	1
Introduction	2
Background	3
Scope of Review	4
Findings	5
Recommendations	6
HCFA Response	7
Contractor Response	7
OHFI Comments	9
Appendix A	10

I. EXECUTIVE SUMMARY

The Kansas City/Denver Regional Office, Office of Health Financing Integrity (OHFI), Office of The Inspector General (OIG), conducted a regional program inspection of Medicare secondary payer provisions as they relate to automobile and liability insurance under the Medicare and Medicaid amendments of 1980.

Our review included beneficiaries injured in automobile accidents during the period June 6, 1983 to December 31, 1983, in the State of North Dakota.

Based on our review, we estimate that from June 6 to December 31, 1983, \$211,336 was paid by Medicare as the primary payer whereas the automobile insurance should have been the primary payer with Medicare being billed as the secondary payer.

We recommend that HCFA require the Medicare contractor to implement current guidelines according to Federal regulations, to ensure correct Medicare payments and to instigate recovery action for all improper payments, retroactive to June 6, 1983.

II. INTRODUCTION

This report details the findings and recommendations that resulted from the program inspection of Medicare Secondary Payer Provisions - Automobile and Liability Insurance, conducted by the Office of Health Financing Integrity, Denver Regional Office.

The inspection program was developed and implemented by the OHFI, OIG. The program is a major function of OHFI as part of its responsibility to minimize the opportunity for fraud, abuse and waste in the HCFA programs. Specifically, program inspections are reviews which:

- (1) Examine specific HCFA 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 proper services are provided to eligible beneficiaries, and/or save program dollars.

The format of program inspection reports 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. BACKGROUND

The Medicare and Medicaid Amendments of 1980, enacted on December 5, 1980, excluded payment for any items and services to the extent that payment has been made or can reasonably be expected to be made under an automobile or liability insurance policy or plan (including a self-insured plan), or under no-fault insurance.

Federal regulations implementing this law were published in 42 CFR 405.322 on April 5, 1983, and were effective for all items and services reimbursed directly to the provider of services and rendered on or after June 6, 1983. The regulations do not require recovery of amounts paid by Medicare directly to beneficiaries for Medicare "non-assigned" claims.

IV. SCOPE OF REVIEW

This program inspection was conducted to determine if claims resulting from accidents were correctly identifying Medicare secondary payer situations. We obtained a listing of individuals 65 and older injured in automobile accidents in North Dakota during calendar year 1983. From this list we selected an initial random sample of 45, and obtained a copy of the accident report from the North Dakota State Highway Department. We then obtained beneficiary history listings from Blue Cross / Blue Shield of North Dakota. Because our initial sample produced a 90 percent reliability with a \pm 4 percent confidence interval, we did not expand our sample.

The results of our analysis of these documents are reported in the Findings and Recommendations section of this report.

V. FINDINGS

We found there were 331 accidents in North Dakota during calendar year 1983 with injuries to individuals 65 years of age and older. Our sample of 45 of these individuals disclosed that 19, or 42%, had claims totaling \$61,903, related to automobile accidents that were submitted to and paid by Medicare. If these beneficiaries are representative of the entire population, we estimate that \$452,934 was paid for claims with Medicare as the primary payer during calendar year 1983. The amount paid after deductible and coinsurance was \$362,347. We therefore estimate an overpayment of \$211,336 after implementation of the new regulations on June 5, 1983.

VI. RECOMMENDATIONS

We recommend that HCFA require the contractor to:

1. Establish a collection unit, and implement procedures to identify trauma procedures and pursue collection of third party liability resources that may be available regardless of the nature of the accident;
2. Establish liaison with the State Highway Department and receive copies of automobile accident reports where individuals over the age of 64 are injured, and pursue collection where automobile medical and no-fault insurance are in force; and
3. Review services provided resulting from accidents retroactive to June 6, 1983, and pursue recovery from providers and/or responsible third party insurers.

HCFA RESPONSE

HCFA basically concurs with our findings and recommendations.

CONTRACTOR RESPONSE

1. Blue Cross of North Dakota

"Blue Cross of North Dakota does not concur with the findings of the report. The estimation of an overpayment of \$211,336 is low. Our studies indicate MSP savings equal at least to \$339,285."

"Presently, we are in the process of making adjustments on these bills, but our progress has been hampered by the enormous changes in Medicare during the past six months. Individually considered, UB-82, EMC, lab bills, PRO changes, and MSP seem small, but taken together they represent a tremendous amount of work. Whenever resources are available, we will dedicate them to this project."

"We are not taking any corrective action because our present procedures exceed present HCFA requirements."

2. Blue Shield of North Dakota

Recommendation No. 1:

"This recommendation was implemented during FY 1984. However, because of budget reductions for FY 1985, it will be necessary to trim the staff in half to 1 1/2 persons, along with eliminating some of the procedures in the unit."

Recommendation No. 2:

"This procedure is in place. We are currently receiving the automobile accident reports from North and South Dakota Highway Departments."

Recommendation No. 3:

"These services have been identified and the review process was initiated. However, the continuation of this activity will be dependent upon re-approval of the disallowed budget for FY 1985."

OEFI COMMENTS

Blue Cross of North Dakota has re-affirmed our findings by stating that our estimate overpayment of \$211,336 was too low and should be at least \$339,285.

The comments from Blue Shield of North Dakota indicate that their review of the 45 beneficiaries did not result in payments being made by Part B. However, it should be noted that the majority of payments made on behalf of the beneficiaries was by Part A.

The full text of HCFA's and the contractor's response is included as Appendix A in this report.

APPENDIX A



4510 - 13th Avenue S.W.
Fargo, North Dakota 58121-0001
(701) 282-1100

Federal Medicare
Intermediary

January 8, 1985

Mr. Gary Wilks
Health Care Financing Administration
1961 Stout Street
Denver, CO 80294

Dear Mr. Wilks:

Reference is made to Mr. Salazar's letter dated December 19, 1984 concerning the results of Office Inspector General report involving Medicare Secondary in North Dakota.

1. Blue Cross of North Dakota does not concur with the findings of the report. The estimation of an overpayment of \$211,336 is low. Our studies indicate MSP savings equal at least to \$339,285.
2. Presently, we are in the process of making adjustments on these bills, but our progress has been hampered by the enormous changes in Medicare during the past six months. Individually considered, UB-82, EMC, lab bills, PRO changes, and MSP seem small, but taken together they represent a tremendous amount of work. Whenever resources are available, we will dedicate them to this project.
3. We are not taking any corrective action because our present procedures exceed percent HCFA requirements.

Any questions concerning this matter should be directed to my attention at (701) 282-1220. Thank you.

Sincerely,

DAVID R. CUMMINGS
Medicare Coordinator and Claims Manager

blk

cc: Jim Bearce, Medicare State Representative
Mike Bergh, BCND

REC'D DFO JAN 10 85

REC'D BGB

JAN 10 1985

MEDICARE

4510 - 13th Ave. S.W., Fargo, North Dakota 58121

Part B

LENOEL W. LICHTSINN
Vice President, Blue Shield
Claims and Government Program

November 27, 1984

Mr. C. Salazar, Jr.
Associate Regional Administrator
Division of Financial Operations
Health Care Financing Administration
1961 Stout Street
Denver, Colorado 80294

Dear Mr. Salazar:

Enclosed are our findings of the 45 individuals you had selected as a sample to review in regards to automobile accidents for Medicare Part B during calendar year 1983.

Our findings of the 45 individuals are as follows:

A. 29 beneficiaries submitted no charges relating to the automobile accident.

Lydia Jackson	502-09-2112A
Emagene Snavely	547-46-0086D
Eleanor Ehrmantraut	501-22-6753D
Oscar Folden	501-38-9587A
Euphemia Klint	502-32-6042A
Gertrude Nepper	501-20-5145A
Aagot Brown	501-40-2002D
Effie Mahulm	501-48-3430A
John Sheck	502-38-2142A
Wesley Vandeberghe	501-38-6091A
Marie Ness	472-20-6326A
Raymond Salzwedel	502-05-9130A
Arthur Kershaw	501-34-8284A
Pauline Johnson	502-22-3765A
Thoralf Swenson	502-10-4782A
William Norgard	501-38-9239A
Edna Folden	501-36-0260A
Olaf Sollin	501-38-1873A
Maynard Tinjum	476-14-9781A
Arnold E. Mahlum	719-14-2279A
William Moore	501-10-9015A
Ruth Magedanz	501-44-9684A
Kenneth Johnson	502-03-4275A
Amanda Foreman	469-20-3465D
Edith Kadlec	502-46-8460A
Sylvester V. McNabb	517-16-7240A
Walter Klint	502-07-5348A
Beatrice Lord	502-18-3892D
Otis M. Olson	501-01-5754B

REC'D

NOV 27

REC'D 3

B. 9 beneficiaries were paid a total amount of \$317.60. Since the amount paid to any individual was less than \$200.00, there will be no recoupment.

Medicare B Paid

Irene McLean	475-07-9311D	\$ 17.20
Richard Duray	501-40-6407A	10.53
Jay Jackson	502-03-3045A	68.00
Gottlieb Maier	501-07-6413A	49.36
Ben Ramey	519-01-5452A	106.16
John Skroch	473-05-6173A	To deductible \$28.52
Leonard Thompson	502-44-3993A	14.40
Richard Gerlach	504-16-9622A	10.91
Nick Kautzman	502-65-0095A	41.04

C. 4 beneficiaries had either exhausted the insurance funds or were correctly denied with action code 211.

Anne M. Sheppe	502-28-3459A
Ann Skroch	473-05-6173B
Rudolph Weidrich	501-40-4575A
Charles G. Allin	501-09-0959A

D. 3 beneficiaries were Travelers and were transferred accordingly.

Susan Froeber	MA-701-14-1151
Philmonia Anhorh	MA-501-12-5423
Francis A. Notch	A-701-12-8180

Section V of the review indicates findings and recommendations and estimates payments for assigned claims with Medicare as primary payer. According to the preceding details listed for the 45 sample cases for Medicare Part B, it appears the estimations are incorrect.

Recommendations in Section VI:

I. Establish a collection unit and pursue collection of third party liability resources.

This recommendation was implemented during FY 1984. However, because of budget reduction for FY 1985, it will be necessary to trim the staff in half to 1½ persons, along with eliminating some of the procedures in the unit.

II. Establish liaison with the State Highway Department.

This procedure is in place. We are currently receiving the automobile accident reports from North and South Dakota Highway Departments.

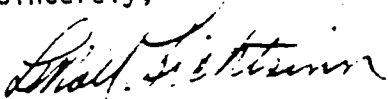
III. Review services provided resulting from accidents retroactively to June 6, 1983.

These services have been identified and the review process was initiated. However, the continuation of this activity will be dependent upon re-approval of the disallowed budget for FY 1985.

Mf. C. Salazar, Jr.
November 27, 1984
Page 3

Please provide us with your revised estimations of overpayments and approval of funding to allow continued activity for the Medicare Secondary Payer Provision - Automobile Medical and No-Fault Insurance.

Sincerely,



LeNOEL W. LICHTSINN, Vice President
Blue Shield Claims and Government Programs

mb