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

REGION V
OFFICE OF
INSPECTOR GENERAL

June 22, 2009

Report Number: A-05-09-00012

Mr. Bruce W. Hughes
President and Chief Operating Officer
Palmetto GBA, LLC
2300 Springdale Drive, Bldg One, Mail Code AG-A03
Camden, South Carolina 29020-1728

Dear Mr. Hughes:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Palmetto GBA, 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-05-09-00012 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 PALMETTO GBA, LLC MEDICARE PAYMENTS TO PROVIDERS TERMINATED FROM JANUARY 1, 2003, THROUGH JANUARY 31, 2007

Daniel R. Levinson
Inspector General

June 2009
A-05-09-00012

Office of Inspector General

http://oig.hhs.gov

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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 . . . ."

Palmetto GBA, LLC (Palmetto), 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 542 providers serviced by Palmetto.

OBJECTIVE

Our objective was to determine whether Palmetto 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, Palmetto had not recovered $293,454 in unallowable payments made to 5 providers for 120 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. Of this amount, $62,346 was not recovered for three providers that were terminated before Palmetto implemented procedures in 2004 to retroactively identify unallowable payments for post-termination services. The remaining $231,108 was not recovered because Palmetto did not follow its procedures to retroactively identify unallowable payments. Palmetto confirmed the payments were unallowable and subject to recovery.

RECOMMENDATIONS

We recommend that Palmetto:

- recover $293,454 in unallowable payments made to the five terminated Medicare providers and

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

PALMETTO COMMENTS

In written comments to our draft report, Palmetto said that it agreed with the recommendations. Palmetto said that it initiated collection efforts for the five providers and it will follow its procedures to identify payments for services after the date of termination and establish overpayments for any payments identified. Palmetto'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 . . . ."

Palmetto GBA, LLC

Palmetto GBA, LLC (Palmetto), 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 542 providers serviced by Palmetto.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Palmetto 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 Palmetto payments for services provided by 16 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 Palmetto in Camden, South Carolina.

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 Palmetto 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, along with five additional providers that did not meet this threshold,[2] and obtained additional information from Palmetto 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 finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATIONS

Prior to our audit, Palmetto had not recovered $293,454 in unallowable payments made to 5 providers for 120 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. Of this amount, $62,346 was not recovered for three providers that were terminated before Palmetto

[1]During our audit, we obtained information indicating that 11 providers had already been subject to appropriate FI recovery actions or had not received material unallowable payments for services provided after their effective termination dates.

[2]We reviewed the five additional providers to confirm the accuracy of our data which indicated that the threshold was not met for these providers.

implemented procedures in 2004 to retroactively identify unallowable payments for post-termination services. The remaining $231,108 was not recovered because Palmetto did not follow its procedures to retroactively identify unallowable payments. Palmetto confirmed the payments were unallowable and subject to recovery.

MEDICARE PAYMENTS TO TERMINATED PROVIDERS

Prior to our review, Palmetto had not recovered $293,454 paid to 5 providers for 120 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

Five 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	40	$118,123
Provider B	50	112,985
Provider C	24	51,296
Provider D	3	9,812
Provider E	3	1,238
Totals	**120**	**$293,454**

For providers C, D, and E, Palmetto had not recovered the unallowable payments prior to our audit because the providers were terminated from Medicare before Palmetto implemented

procedures in April 2004 to retroactively identify unallowable payments for post-termination services.[3] In April 2004, Palmetto identified and corrected a procedural deficiency that allowed providers to potentially receive unallowable payments for post-termination services in cases where the termination notices were received after the providers were terminated.[4] For providers A and B, Palmetto did not follow its current procedures to retroactively identify and recover unallowable payments for post-termination services.

RECOMMENDATIONS

We recommend that Palmetto:

- recover $293,454 in unallowable payments made to the five terminated Medicare providers and

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

PALMETTO COMMENTS

In written comments to our draft report, Palmetto said that it agreed with the recommendations. Palmetto said that it initiated collection efforts for the five providers and it will follow its procedures to identify payments for services after the date of termination and establish overpayments for any payments identified. Palmetto's comments are included in their entirety as the Appendix.

[3]Palmetto was not aware of provider D's termination until it was disclosed during our audit.

[4]The CMS termination notices for the five reported providers were issued from about 5 to 32 months after the providers' effective termination dates.

APPENDIX

Palmetto GBA℠
PARTNERS IN EXCELLENCE℠

Bruce W. Hughes
President and Chief Operating Officer

June 3, 2009

Mr. Marc Gustafson
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services
233 North Michigan Avenue
Chicago, Illinois 60601

Reference: Draft Report No. A-05-09-00012

Dear Mr. Gustafson:

This letter is in response to the recent Office of Inspector General (OIG) draft report entitled "Review of Palmetto GBA, LLC Medicare Payments to Providers Terminated from January 1, 2003 through January 31, 2007." We appreciate the opportunity to comment on this draft report. As well, we appreciate the feedback that your review provided and are committed to continuously improving our service to the Medicare program.

As stated in the draft report, Palmetto GBA had not recovered $293,454 in unallowable payments made to five providers for 120 claims. These claims were not eligible for payment because the services were provided on or after dates that the providers were terminated from the Medicare program. The recommendations made in the report were:

We recommend that Palmetto:

- recover $293,454 in unallowable payments made to the five terminated Medicare providers, and
- follow its procedures to retroactively identify and recover unallowable payments for claims with dates of service on or after the providers' effective termination dates.

We agree with the recommendations. Overpayments were established for these five providers and collection efforts initiated. As an update, the amount owed by Provider C has been fully collected. Collection efforts are ongoing to recover the unallowable payments on the other four. Two have been referred to CMS' Debt Collection System. The other two are scheduled to be referred in July, 2009.

We will follow our procedures to identify payments for services after the date of termination and establish overpayments for any payments identified. As noted to the auditors, these procedures were revised in January, 2009 to add controls that the overpayment identification is completed as part of processing the provider termination.

As addressed in the footnotes of the report, 16 providers were initially identified as having unallowable payments. For eleven providers, appropriate recovery actions were taken or it was determined that the remaining amounts were immaterial. For one (Provider D), the termination notice had not been routed to us previously. Upon receiving the termination notice, the appropriate actions were taken.

Thank you for providing Palmetto GBA with the opportunity to provide feedback regarding your review. If you have any questions, please do not hesitate to contact me at [redacted].

Sincerely,

Bruce W. Hughes

cc: [redacted]