DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

DEC 4 2008

Report Number: A-04-08-00053

Ms. Lynda Northcutt, President
Cahaba Government Benefit Administrators, LLC
300 Corporate Parkway
Birmingham, Alabama 35242

Dear Ms. Northcutt:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of High-Dollar Skilled Nursing Facility Claims Processed by Cahaba Government Benefit Administrators Fiscal Intermediary No. 00011 for the Period January 1, 2004, Through December 31, 2006." We will forward a copy of this report to the HHS action official 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 principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, the final 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 Eric Bowen, Audit Manager, at (404) 562-7789 or through e-mail at Eric.Bowen@oig.hhs.gov. Please refer to report number A-04-08-00053 in all correspondence.

Sincerely,

Peter J Barbera

Peter J. Barbera
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 HIGH-DOLLAR SKILLED NURSING FACILITY CLAIMS PROCESSED BY CAHABA GOVERNMENT BENEFIT ADMINISTRATORS FISCAL INTERMEDIARY NO. 00011 FOR THE PERIOD JANUARY 1, 2004, THROUGH DECEMBER 31, 2006

Daniel R. Levinson
Inspector General

December 2008
A-04-08-00053

# *Office of Inspector General*

http://oig.hhs.gov

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

## 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 to process and pay Medicare Part A claims submitted by skilled nursing facilities (SNF). The intermediaries use the Fiscal Intermediary Standard System and CMS's Common Working File (CWF) to process claims. The CWF can detect certain improper payments during prepayment validation.

Section 1888(e) of the Act established a Medicare prospective payment system (PPS) for SNFs for cost-reporting periods beginning on or after July 1, 1998. Under the PPS, Medicare pays SNFs through per diem prospective payments. The PPS payment rates are adjusted for case mix and geographic variation in wages and cover all costs of furnishing covered SNF services.

During calendar years (CY) 2004 – 2006, Cahaba Government Benefit Administrators contractor No. 00011 (Cahaba GBA) was the fiscal intermediary in Iowa and processed 89 SNF claims with payments of $50,000 or more (high-dollar payments).

## OBJECTIVE

Our objective was to determine whether Cahaba GBA's high-dollar SNF payments to Iowa providers were appropriate.

## SUMMARY OF FINDINGS

Of the 89 high-dollar payments that Cahaba GBA made for SNF services for CYs 2004 – 2006, 84 were appropriate. The remaining five payments included overpayments totaling $2,303.

Contrary to Federal guidance, SNFs reported excessive units of service and charges that resulted in inappropriate payments. Generally, the SNFs attributed the overpayments to incorrect claims data and insufficient documentation to support charges. Cahaba GBA made the incorrect payments because neither the Fiscal Intermediary Standard System nor the CWF had sufficient edits in place to detect and prevent the overpayments.

## RECOMMENDATIONS

We recommend that Cahaba GBA:

- recover the $2,303 in identified overpayments,

- use the results of this audit in its provider education activities related to data entry procedures and proper documentation of charges, and

- consider implementing controls to identify and review all payments greater than $50,000 for SNF services.

## AUDITEE COMMENTS

In written comments on the draft report, Cahaba GBA stated that it no longer had this workload and therefore could not act upon our recommendations. Cahaba GBA's comments are included in their entirety as Appendix A. Because Cahaba GBA could not act upon our recommendations, we forwarded the draft report to the new Medicare contractor, Wisconsin Physician Services (WPS). In written comments on the draft report, WPS acknowledged that it had assumed responsibility for the State of Iowa and associated Cahaba GBA processing activity earlier in 2008. WPS stated that it intended to recoup the overpaid amounts, use the results of the audit in future educational activities, and evaluate current controls to determine whether additional controls are needed. WPS's comments are included in their entirety as Appendix B.

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# INTRODUCTION

## 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) administers the program.

### Medicare Fiscal Intermediaries

CMS contracts with fiscal intermediaries to, among other things, process and pay Medicare Part A claims submitted by skilled nursing facilities (SNF). The intermediaries' responsibilities include determining reimbursement amounts, conducting reviews and audits, and safeguarding against fraud and abuse. Intermediaries use the Fiscal Intermediary Standard System (FISS) and CMS's Common Working File (CWF) to process SNF claims. The CWF can detect certain improper payments during prepayment validations.

In calendar years (CY) 2004 – 2006, fiscal intermediaries processed and paid approximately 13.7 million SNF claims, 1,160 of which resulted in payments of $50,000 or more (high-dollar payments).

### Claims for Skilled Nursing Facility Services

Section 1888(e) of the Act established a Medicare prospective payment system (PPS) for SNFs for cost-reporting periods beginning on or after July 1, 1998. Under the PPS, Medicare pays SNFs through per diem prospective payments. The PPS payment rates are adjusted for case mix and geographic variation in wages and cover all costs of furnishing covered SNF services.

Accordingly, under the consolidated billing provisions of sections 1862(a)(18) and 1842(b)(6)(E) of the Act, SNFs are responsible for billing Medicare for most of the services provided to Medicare beneficiaries in SNF stays covered by Medicare.

### Cahaba Government Benefit Administrators

During our audit period (CYs 2004 – 2006), Cahaba Government Benefit Administrators contractor No. 00011 (Cahaba GBA) was the fiscal intermediary in Iowa and processed 89 SNF claims during this period, which resulted in high-dollar payments totaling approximately $5.7 million.

## OBJECTIVE, SCOPE, AND METHODOLOGY

### Objective

Our objective was to determine whether Cahaba GBA high-dollar SNF payments to Iowa providers were appropriate.

### Scope

We reviewed the 89 high-dollar payments for SNF claims that Cahaba GBA processed during CYs 2004 – 2006. We limited our review of Cahaba GBA's internal controls to those applicable to the 89 high-dollar payments because our objective did not require an understanding of all internal controls over submitting and processing claims. Our review allowed us to establish a reasonable assurance of the authenticity and accuracy of the data obtained from the National Claims History file, but we did not assess the completeness of the file.

We conducted our fieldwork from November 2007 through June 2008. Our fieldwork included contacting Cahaba GBA, located in Birmingham, Alabama, and the SNFs, located in Iowa, that received high-dollar payments.

### Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- used CMS's National Claims History file to identify SNF claims with high-dollar Medicare payments;
- reviewed available CWF claim histories for claims with high-dollar payments to determine whether the claims had been canceled and superseded by revised claims or whether payments remained outstanding at the time of our fieldwork; and
- contacted the SNFs that received the high-dollar payments to determine whether the information on the claims was correct and, if not, why the claims were incorrect and whether the SNFs agreed that refunds were appropriate.

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.

## FINDINGS AND RECOMMENDATIONS

Of the 89 high-dollar payments that Cahaba GBA made for SNF services for CYs 2004 – 2006, 84 were appropriate. The remaining five payments included overpayments totaling $2,303.

Contrary to Federal guidance, SNFs reported excessive units of service and charges that resulted in inappropriate payments. Generally, the SNFs attributed the overpayments to incorrect claims data and insufficient documentation to support charges. Cahaba GBA made the incorrect payments because neither the FISS nor the CWF had sufficient edits in place to detect and prevent the overpayments.

### FEDERAL REQUIREMENTS

Section 1888(e) of the Act established a Medicare PPS for SNFs for cost-reporting periods beginning on or after July 1, 1998. Under the PPS, Medicare pays SNFs through per diem prospective payments. The PPS payment rates are adjusted for case mix and geographic variation in wages and cover all costs of furnishing covered SNF services.

Accordingly, under the consolidated billing provisions of sections 1862(a)(18) and 1842(b)(6)(E) of the Act, SNFs are responsible for billing Medicare for most of the services provided to Medicare beneficiaries in SNF stays covered by Medicare.

CMS Medicare Claims Processing Manual, Chapter 6, Section 50.6 states that overpayments for claims erroneously paid should be recovered and the CWF should be properly updated.

### INAPPROPRIATE HIGH-DOLLAR PAYMENTS

The SNFs lacked sufficient documentation to support charges for three claims and reported incorrect units of service and charges on two claims, resulting in overpayments totaling $2,303 as follows:

- A SNF submitted one claim that lacked supporting documentation to justify charges billed. As a result, Cahaba GBA overpaid the SNF approximately $1,945.

- A SNF submitted one claim that lacked supporting documentation to justify the charges billed and one claim that included improper charges. As a result, Cahaba GBA overpaid the SNF approximately $124.

- A SNF submitted one claim for 1,294 units of service for various self-administered medications, instead of 1,283 units of service. Also, the SNF lacked supporting documentation to justify part of the charges billed, resulting in reimbursement for two units of laboratory services given. As a result of the 13

- A SNF submitted one claim that included six excess units of service for Riopan and one excess unit of service for Digoxin. As a result of the seven excess units of service claimed, Cahaba GBA overpaid the SNF approximately $18.

## CAUSES OF OVERPAYMENTS

Generally, the SNFs attributed the overpayments to incorrect claims data and insufficient documentation to support charges. In addition, Cahaba GBA made the incorrect payments because neither the FISS nor the CWF had sufficient edits in place to detect and prevent the overpayments.

## RECOMMENDATIONS

We recommend that Cahaba GBA:

- recover the $2,303 in identified overpayments,

- use the results of this audit in its provider education activities related to data entry procedures and proper documentation of charges, and

- consider implementing controls to identify and review all payments greater than $50,000 for SNF services.

## AUDITEE COMMENTS

In written comments on the draft report, Cahaba GBA stated that it no longer had this workload and therefore could not act upon our recommendations. Cahaba GBA's comments are included in their entirety as Appendix A. Because Cahaba GBA could not act upon our recommendations, we forwarded the draft report to the new Medicare contractor, Wisconsin Physician Services (WPS). In written comments on the draft report, WPS acknowledged that it had assumed responsibility for the State of Iowa and associated Cahaba GBA processing activity earlier in 2008. WPS stated that it intended to recoup the overpaid amounts, use the results of the audit in future educational activities, and evaluate current controls to determine whether additional controls are needed. WPS's comments are included in their entirety as Appendix B.

# APPENDIXES

**APPENDIX A**

CAHABA
GOVERNMENT
BENEFIT
ADMINISTRATORS, LLC

Lynda Northcutt
President
Cahaba Government Benefit Administrators,® LLC



October 6, 2008

Department of Health and Human Services
Office of Inspector General
Office of Audit Services
Attention: Eric Bowen, Audit Manager
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

RE: Report Number: A-04-08-00053 Review of High-Dollar Skilled Nursing Facility Claims Processed by Cahaba Government Benefit Administrators Fiscal Intermediary No. 00011 for the Period January 1, 2004, Through December 31, 2006.

Dear Mr. Bowen:

We are in receipt of the captioned draft report. Cahaba Government Benefit Administrators ®, LLC no longer has this workload and cannot act upon the recovering of the overpayments recommendation due to the MAC contract award of the workload to Wisconsin Physician Services ("WPS"). This workload was transitioned to WPS on May 1, 2008. We agree the recommendations regarding provider education and review of payments are reasonable. We await direction from the Centers for Medicare and Medicaid Services before we act on the recommendation.

If you should have any questions regarding this report, please contact Molly Echols, Manager Risk and Compliance at (205) 220-1587 or via email at Mechols@cahabagba.com.

Sincerely,

Lynda Northcutt
President
Cahaba Government Benefit Administrators®, LLC

LN/jm

cc: Brandon Ward, Vice President of Operations, Cahaba GBA
Jim Hill, Divisional Manager, Cahaba GBA
David Brown, Director, Cahaba GBA Administration

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

**Medicare**

November 21, 2008

Peter J. Barbera
Regional Inspector General for Audit Services
Region IV
61 Forsyth Street S.W., Suite 3T41
Atlanta, Georgia 30303

Re: OIG Blue Book Audit A-04-08-00053 - September 2008

Dear Mr. Barbera:

This letter is in response to the Draft OIG Blue Book titled "Review of High Dollar Skilled Nursing Facility Claims Processed by Cahaba Government Benefit Administrators Fiscal Intermediary No. 00011 for the Period January 1, 2004, Through December 31, 2006." The letter, addressed to Lynda Northcutt, Cahaba Government Benefit Administrators (GBA) LLC, dated September 22, 2008, was received in our office on November 7. In your letter, you requested that comments be provided on each of the recommendations.

WPS assumed responsibility for the state of Iowa and associated Cahaba GBA's processing activity earlier in 2008. The OIG reviewed 89 high-dollar skilled nursing facility claims, of which 84 were appropriate. The results of their review indicated that the remaining five payments included overpayments totaling $2,303.

OIG Recommendations:

- *recover the $2,303 in overpayments,*
- *use the results of this audit in its provider education activities related to data entry procedures and proper documentation of charges, and*
- *consider implementing controls to identify and review all payments greater than $50,000 for skilled nursing facility services.*

WPS intends to recoup the overpaid amounts for the five claims. We will do this by adjusting the claims following normal adjustment procedures, including abiding by the four-year reopening guidelines.

The results of this review have been shared with the WPS Provider Outreach area so that they can be incorporated into future educational activities. WPS staff will use the results of this audit, where applicable, in our future education activities

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

**Medicare**

WPS will evaluate current controls to determine if additional ones are needed. The WPS Reimbursement and Claims Departments currently monitors out-going checks for abnormalities in payment tolerance level. Payments outside the tolerance level for a provider are investigated to determine their validity. If applicable, payments are suspended pending further investigation.

WPS looks forward to working with you in the completion of this OIG Audit of high-dollar payments by Cahaba GBA. If you have any questions, or need any more information please contact Michelle Routt at 402-351-8293 or me at 402-351-6915.

Sincerely,

Mark DeFoil

Mark DeFoil
Director, Contract Coordination

cc: Eric Bowen, OIG
Nitza Correa, CMS
Suzanne Johnson, CMS