

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF
ACCOUNTS RECEIVABLE BALANCES
AND DEBT MANAGEMENT ACTIVITIES
AT THE CENTERS FOR
MEDICARE AND MEDICAID SERVICES,
REGION III REGIONAL OFFICE**



**JANET REHNQUIST
INSPECTOR GENERAL**

**JANUARY 2002
A-03-01-00012**



Office of Audit Services
Region III
150 S. Independence Mall West
Philadelphia, PA 19106-3499
(215) 861-4501

Date: January 9, 2002

From: Regional Inspector General for Audit Services

Subject: Review of Accounts Receivable Balances and Debt Management Activities at the Centers for Medicare and Medicaid Services, Region III Regional Office (A-03-01-00012)

To: Steven McAdoo
Acting Regional Administrator
Centers for Medicare and Medicaid Services

This final report presents the results of our REVIEW OF ACCOUNTS RECEIVABLE BALANCES AND DEBT MANAGEMENT ACTIVITIES AT THE CENTERS FOR MEDICARE AND MEDICAID SERVICES (CMS), REGION III REGIONAL OFFICE (RO-III). Accounts receivable represent funds owed by medical providers to the Medicare program. The Debt Collection Improvement Act of 1996 (DCIA) was enacted to improve the collection of debt owed to Federal agencies including CMS.

The objectives of our review were to determine the: (1) accuracy, validity and completeness of reported accounts receivable balances, and (2) effectiveness of CMS' debt management as it related to the requirements of the DCIA. We found that financial adjustments and procedural improvements were needed to prevent the misstatement of the CMS financial statements. The RO-III non-Medicare Secondary Payer (MSP) accounts receivable balance as reported by CMS Central Office (CO) was overstated by \$1,286,892, and the currently not collectible (CNC) balance was overstated by \$373,520 for the period ended September 30, 2000. The RO-III made corrections to adjust these balances as of December 31, 2000.

Also, there were inaccuracies in the MSP account receivable principal and interest balances related to the CMS "settlement cleanup" project. In addition, contractors reported inaccurate interest amounts on the quarterly financial reports submitted to RO-III.

We attributed the inaccuracy of the reported accounts receivable balances to weaknesses in the CMS debt management system. The Office of Management and Budget (OMB) required Federal agencies to manage non-tax receivables to protect the Government's assets and minimize losses. We are recommending that RO-III establish sufficient controls to maintain visibility over all transferred debt, particularly debt transferred from other ROs, and to validate amounts reported by Medicare contractors and reconcile any differences between the reported totals and detailed supporting documentation.

This review was part of a nationwide review of debt management activities at CMS and selected contractors. The OIG consolidated report summarizing the overall results of our reviews will include additional procedural recommendations to the CO concerning its accounts receivable process and debt management system.

In its written response to a draft of this report, CMS officials described improved controls that implement our recommendations. The full text of CMS’ response is included as APPENDIX II to this report.

BACKGROUND

Accounts receivable in the Medicare program represent debts owed by providers to CMS for overpayments, as well as funds due from other entities when Medicare erroneously paid as the primary payer of claims. The CMS contractors are responsible for reporting and collecting the majority of those receivables. When Medicare contractors were unable to collect, particularly when a provider filed for bankruptcy or a decision was made to write off the debt as uncollectible, the receivable was transferred to the RO for management and action to either collect, litigate, or write off the debt.

The CMS and its contractors used the 750 report, “Contractor Financial Reports,” and the 751 report, “Status of Accounts Receivable,” to capture and report outstanding accounts receivable at the CO, ROs, and Medicare contractors. As shown in the table, the report prefix of the 751 reports identified the reporting entity and the report suffix identifies the type of funds.

751 Report Accounts Receivable Report Description	Medicare Contractor	CMS Regional Office
Medicare Secondary Payer (MSP)	M751 A/B	RM751 A/B
Non-MSP Currently Not Collectible (CNC)	C751 A/B	RC751 A/B
Non-MSP & MSP (excludes CNC)	H751 A/B	R751 A/B
Note: Suffix ‘A’ identified Part A - Hospital Insurance (HI) funds Suffix ‘B’ identified Part B - Supplementary Medical Insurance (SMI) funds		

The 751 reports did not identify non-MSP amounts. We determined those amounts as the difference between the amounts reported on the H751 report and the amounts reported on the associated M751 report. In this report, we did not use the letter prefix unless it was necessary to make a distinction between the reports discussed.

For financial reporting purposes, CMS obtained the non-contractor accounts receivable balances from the: (1) Provider Overpayment Report (POR), (2) Physician Supplier Overpayment Report (PSOR), and (3) other nonstandard reports that included debt not recorded on the POR/PSOR. The POR/PSOR contain information on accounts receivable at the following non-contractor locations: the RO, the Office of General Counsel (OGC), the Department of Justice (DOJ), and Central Office/Debt Collection Center (CO/DCC).

When a contractor transferred debt to the RO, the principal and interest was reported as a write off or transfer amount on the H751 report, Line 6E, “Transfers to CMS RO, Not POR/PSOR,” and the location code on the POR/PSOR was changed. Once transferred, the debt should no longer be included in the accounts receivable balance of the contractor’s financial reports.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our review were to determine the: (1) accuracy, validity and completeness of reported accounts receivable balances, and (2) effectiveness of CMS debt management as it related to the requirements of the DCIA.

To accomplish our objectives, we reviewed supporting documentation for non-MSP and MSP non-contractor accounts receivable balances for the period ended September 30, 2000 including all transfer activity during the fiscal year. The RO-III reported a non-MSP accounts receivable balance of \$2,783,536, a MSP accounts receivable balance of \$39,895,926 in principal and \$31,705,932 in interest, and a CNC accounts receivable balance of \$373,520. The CO included the non-MSP and the CNC accounts receivable balances that were reported by RO-III in its consolidated financial reports. The MSP balance was reported as \$0 because CO “wrote off” that amount as part of a national “settlement cleanup” agreement.

The MSP “settlement cleanup” process between CO and other primary benefits payers was outlined in CMS “Change Request 899,” dated March 2000, issued to Intermediaries and Carriers describing the identification and write off procedures applicable to delinquent MSP receivables. We selected a judgmental sample of 30 beneficiary “settlement cleanup” transactions consisting of 36 MSP accounts receivable transactions totaling \$1,279,681 (\$683,403 in principal and \$596,278 in interest) that was transferred to RO-III. We reviewed the documentation to support each transaction, the Medicare contractors’ attempts to collect the identified MSP debt, the timely issuance of demand letters, and the adequacy of the interest computation for the delinquent MSP debt.

This review was part of a nationwide review of debt management activities at CMS and selected contractors. The consolidated report summarizing the overall results of our reviews will include additional procedural recommendations to the CO concerning its accounts receivable process and debt management system.

The review was conducted in accordance with generally accepted government auditing standards at the CMS RO-III in Philadelphia, Pennsylvania and selected Medicare contractor locations between January and July 2001.

RESULTS OF REVIEW

THE SEPTEMBER 30, 2000 ACCOUNT RECEIVABLE BALANCES REPORTED BY CO WERE OVERSTATED -- THE NON-MSP BALANCE WAS OVERSTATED BY \$1,286,892 AND THE CNC BALANCE WAS OVERSTATED BY \$373,520

We found that the RO-III non-MSP accounts receivable balance, as reported by CO, was overstated by \$1,286,892 and the CNC balance was overstated by \$373,520. The net overstatements of those balances occurred because the RO-III did not include all transactions received from other ROs (\$652,780 understatement) and the CO did not remove all unfiled cost report transactions (\$1,939,672 overstatement in non-MSP debt and \$373,520 overstatement in CNC debt). The RO-III adjusted its non-MSP and CNC accounts receivable balances in December 2000 and properly adjusted its financial reports for December 31, 2000.

Transactions Not Included - \$652,780

We found that RO-III did not include seven transactions, totaling \$648,757 in principal and \$4,023 in interest, that were transferred from other ROs. As a result, the September 30, 2000 non-MSP receivable balance was understated by \$652,780.

The RO-III personnel stated that although the non-MSP transactions were transferred from other ROs prior to September 30, 2000 and should have been included in RO-III’s ending balance, they were “overlooked” and not included in the consolidated CO financial report for September 2000. Four of those transactions, totaling \$371,634 in principal and \$1,306 in interest, were identified from the CO consolidated POR report for September 30, 2000, and three transactions, totaling \$277,123 in principal and \$2,717 in interest, were identified from the CMS RO-VII POR report for September 30, 2000. All of those transactions had been referred to the Department of Justice by OGC/RO because the providers were in bankruptcy. Neither the CO nor other ROs included those transactions in financial reports for September 2000. The following two tables identify those transactions.

TRANSACTIONS NOT INCLUDED IN THE RO-III AND CO FINANCIAL REPORTS

Identified From the CO Consolidated POR Report					
Provider		Cost Report Date	Determination Date	Overpayment Amount	Interest
American Day Treatment Centers					
144602	Highland Park, IL	12/31/96	03/30/98	\$200,056	\$ 0
144623	Flossmoor, IL	12/31/96	03/30/98	74,716	841
144624	Barrington, IL	06/30/98	03/30/98	55,573	465
		12/31/96	03/30/98	41,289	0
Total →				\$371,634	\$1,306

TRANSACTIONS NOT INCLUDED IN THE RO-III AND CO FINANCIAL REPORTS (CONT'D)

IDENTIFIED FROM THE CMS RO-VII POR REPORT					
Provider		Cost Report Date	Determination Date	Overpayment Amount	Interest
216567	Healthcare Support Systems Beltsville, MD	12/31/92	07/20/94	\$125,401	\$2,717
		12/31/93	02/12/96	135,592	0
		12/31/94	08/20/96	16,130	0
Total →				\$277,123	\$2,717

TOTAL OVERPAYMENT AMOUNT AND INTEREST		\$648,757	\$4,023
		\$652,780	

Unfiled Cost Reports - \$1,939,672 Non-MSP and \$373,520 CNC

Under the direction of CO, the RO-III included three unfiled cost report transactions totaling \$1,939,672 in its non-MSP balance and one unfiled cost report transaction, totaling \$373,520, in its CNC balance. The CO was required to review the R751 reports submitted by the ROs and remove all unfiled cost report transactions. However, the CO did not remove those unfiled cost report transactions from its September 30, 2000 balance. Including unfiled cost report transactions had the effect of overstating the Non-MSP and CNC balances for September 30, 2000. The following table lists the unfiled cost reports erroneously included.

UNFILED COST REPORTS - PROVIDER FILED BANKRUPTCY

NON-MSP TRANSACTIONS				
Provider		Cost Report Date	Determination Date	Overpayment Amount
517080	Advanced HHC	06/30/98	05/18/99	\$124,974
497495	Concordia Home Care	12/31/98	08/04/99	1,572,044
		06/30/99	01/03/00	242,654
Total →				\$1,939,672

CNC TRANSACTION				
Provider		Cost Report Date	Determination Date	Overpayment Amount
497457	Blue Ridge HHC	12/31/93	06/01/94	\$373,520

In January 2001, the CO directed the ROs to remove all unfiled cost reports from their financial reports beginning with the December 31, 2000 reporting period.

MSP “SETTLEMENT CLEANUP” BALANCES NOT ACCURATE

The MSP “settlement cleanup” balances reported by the contractors and RO-III were inaccurate for several reasons. However, none of those MSP receivables were included in the financial reports prepared by the CO because they were part of a settlement agreement between CO and other primary payers. “Change Request 899” directed CMS contractors to identify for write off by the end of FY 2000, those receivables for which the CO had settled with other primary benefits payers. We found that the MSP accounts receivable balance reported on the September 30, 2000 financial reports did not agree with the total “settlement cleanup” receivable amounts reported to RO-III by Medicare contractors, and one contractor did not determine or report its balance. Specifically, we found that:

- ✓ The RO-III did not accept \$9,345 in principal and \$8,309 in interest from one contractor.
- ✓ The RO-III did not investigate or reconcile a \$131,306 reduction in the amount of interest reported in June and September 2000.
- ✓ One contractor did not report its “settlement cleanup” receivables either by the end of FY 2000 or by the end of our fieldwork.
- ✓ “Settlement cleanup” transactions included duplicate claims.
- ✓ Interest was not computed correctly.

Unaccepted MSP Transfers

One Medicare contractor reported \$3,426,775 for principal and \$2,938,631 for interest but RO-III only accepted and reported \$3,417,430 for principal and \$2,930,322 for interest – a difference of \$9,345 for principal and \$8,309 for interest. Those differences consisted of 14 accounts receivable transactions that were transferred to RO-III during August 2000. While the contractor correctly reported those amounts as transferred to RO-III on the June 2000 financial report, the contractor incorrectly reported those amounts as transferred to RO-II (New York) on the September 2000 report.

The RO-III did not accept the additional amounts reported for the 14 transactions because the contractor (Trailblazers -- United HealthCare prior to September 18, 2000) did not submit the required documentation to support the differences between the June and September 2000 amounts reported. However, RO-III did not notify the contractor that it did not accept the additional amounts, and the contractor considered those accounts receivable transactions transferred to RO-III. Because those amounts were not accepted, accountability for those receivables was lost and the contractor’s “Allowance for Bad Debts” and “Transfers to CMS Regional Office” accounts were misstated.

Unreconciled Interest Amounts

The accounts receivable interest amount reported by United HealthCare/Trailblazers on Line 6E of the M751 report (the MSP accounts receivable report) for September 30, 2000 was \$131,306 less than the amount reported on Line 6E of the H751 report (the total accounts receivable report). Those amounts were identical on the M751 and H751 reports for June 30, 2000. The contractor stated that it had inadvertently written off the interest subsequent to reporting its transfer to RO-III on the June 30 financial reports. However, the RO-III did not identify that difference and did not request an explanation from the contractor. Contractor personnel provided us documentation that supported the amounts it reported for September 30, 2000 but that documentation did not clearly identify the difference between the amounts on the M751 and H751 reports. Also, contractor personnel did not know whether its accounting records were misstated, principally because of the change in contractors on September 18, 2000.

Settlement Cleanup Not Reported

One contractor (CareFirst of Maryland) did not report its “settlement cleanup” receivables by the end of FY 2000. The contractor indicated that additional funds would be needed to make the systems changes necessary to identify those amounts. However, “Change Request 899” instructions stated, “contractors have been allocated funding for this assignment” and that “systems changes are not authorized for the settlement cleanup effort.” At the end of our fieldwork, CareFirst had not complied with the requirements of “Change Request 899,” and RO-III had not determined the reasons for that noncompliance.

Duplicate MSP Accounts Receivable

The “settlement cleanup” transactions that were transferred to the RO from Medicare contractors contained multiple account receivable transactions that identified the same beneficiary claims. That apparent duplication of MSP accounts receivable resulted during the conversion of the fiscal contractors’ Data Match files from the Medicare Claims Processing System (MCPS) to the Fiscal Intermediary Standard System (FISS) in 1995. Although those receivable amounts were duplicated, the contractors’ financial statements had always included those amounts, and the contractors transferred them to the RO in order to eliminate them from their reported balances. Current MSP transactions may still contain multiple accounts receivable transactions for the same beneficiary claims. That condition was noted at several ROs and Medicare contractors and will be discussed further in the OIG consolidated report.

Interest Not Computed Correctly

The reported interest amounts for “settlement cleanup” transactions transferred to the RO were not always computed correctly. Contractor personnel stated that they had encountered some problems with the computation, particularly as a result of the transition from MCPS to FISS, and in one documented case, because of a clerical error. Because those conditions were noted at several ROs and Medicare contractors, they will be addressed in the consolidated report.

The interest calculations for 23 of the 36 accounts receivable transactions at three contractors were not correct. Differences ranged from \$3,486 understatement to \$153 overstatement and resulted in a net understatement \$3,544. Contractors attributed the differences to computer system changes and mathematical errors. However, some of that difference was possibly related to two collections for which documentation was not available.

Also, during one processing cycle in February 1996, a contractor prepared 191 demand packages with the interest calculated using 14 percent instead of 13.875 percent. The contractor recognized the error but concluded that it was more practical to leave the calculation as computed because the difference was minimal. The contractor decided that the cost to re-run the computation and prepare and re-mail all new demand letter packages would have been too expensive and not worth the effort. We did not review any of those transactions and did not determine the impact of that processing error.

CONTRACTORS REPORTED INACCURATE INTEREST AMOUNTS ON FINANCIAL REPORTS

The interest amount reported on the ending accounts receivable balance in section A of the H751 report did not equal the total delinquent interest reported in section B for the contractors that submitted financial reports to RO-III. Medicare contractors did not follow the guidance for reporting interest amounts, and RO-III did not review the information provided on the financial reports to ensure compliance with financial guidance established by CO. As a result, the interest amount and other financial information reported by contractors on the H751 report were not accurate. Those inaccuracies affected the overall financial statements prepared by CO.

The CMS Medicare Intermediary Manual, Part 1 – Fiscal Administration, section 1940.5, stated that “interest reported on Line 7 [Section A of the 751 report] usually accrues based on the non-payment of a debt on the due-date stated in the demand letter (debt was delinquent). Delinquency in Section B [of the 751 report] is also determined by due-date language in the demand letter and, therefore, should equal Line 7.” The CMS Medicare Carriers Manual, Part 1 – Fiscal Administration, section 4940.3, included the same statement.

We reviewed the interest amounts reported by seven Medicare contractors -- Alabama Blue Cross, CareFirst, Healthnow, HGSAdministrators, Metrahealth, Veritus, and Wellmark -- to RO-III for five quarters. As shown in APPENDIX I, none of the interest amounts in section A and B was equal. Although the difference varied among Medicare contractors, the reported differences were reasonably consistent for each Medicare contractor over time.

CONCLUSIONS AND RECOMMENDATIONS

We found that the RO-III non-MSP accounts receivable balance, as reported by CO, was overstated by \$1,286,892 and the CNC balance was overstated by \$373,520 for the period ended September 30, 2000. The RO-III made corrections to adjust these balances as of December 31, 2000.

Also, there were inaccuracies in the MSP account receivable principal and interest balances related to the CMS “settlement cleanup” project. In addition, contractors reported inaccurate interest amounts on the quarterly financial reports submitted to RO-III.

We attributed the inaccuracy of reported accounts receivable balances to weaknesses in the CMS debt management system. We believe that the errors and inaccuracies identified in this report could be prevented if RO-III implemented a better monitoring and oversight of its contractors financial accounting and reporting activities. The OMB requires federal agencies to manage non-tax receivables to protect the Government’s assets and minimize losses.

We recommend that the CMS RO-III Regional Office: (1) establish sufficient controls to maintain visibility over all transferred debt, particularly debt transferred from other ROs, and (2) validate amounts reported by Medicare contractors and reconcile any differences between the reported totals and detailed supporting documentation.

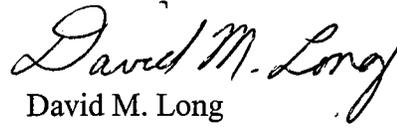
This review was part of a nationwide review of debt management activities at CMS and selected contractors. The OIG consolidated report summarizing the overall results of our reviews will include additional procedural recommendations to the CO concerning its accounts receivable process and debt management system.

CMS’ COMMENTS

In a written response to a draft of this report, CMS officials generally concurred with our findings and described improved controls that implement our recommendations. Specifically, CMS RO-III will run ad hoc reports each quarter from the PORS to capture all debts assigned. Also, in the future, RO-III will reconcile all transfers with reporting contractors and reconcile each quarter’s report to the previous submission. Finally, RO-III will review its contractors to ensure they are properly computing interest.

The RO-III commented that it did not concur with the overstatement relating to unfiled cost reports because it was instructed by CO to include them. Since it followed instructions RO-III believes this should not be listed as a finding attributable to RO-III.

We agree that RO-III was following CO instructions when reporting unfiled cost report transactions (see page 5) and it was CO's responsibility to remove them. Nonetheless, including unfiled cost reports had the effect of overstating the September 30, 2000 account receivable balance.


David M. Long

Attachment

**DIFFERENCE IN INTEREST AMOUNT REPORTED IN
SECTION A AND SECTION B ON THE H751 REPORT**

<i>FY</i> <i>Quarter</i>	<i>Contractor</i>	<i>Section A - Line 7</i> <i>Ending Balance</i>	<i>Section B</i> <i>Delinquencies</i>	<i>Difference</i>		
				<i>Amount</i>	<i>Percent</i>	<i>Average</i>
Sep-99	Alabama B/C - Part A	8,813,196.34	8,804,190.46	9,005.88	0.10%	
Dec-99	Alabama B/C - Part A	9,706,342.08	9,701,627.74	4,714.34	0.05%	
Mar-00	Alabama B/C - Part A	10,237,159.96	10,232,782.71	4,377.25	0.04%	
Jun-00	Alabama B/C - Part A	33,217,191.67	32,935,778.01	281,413.66	0.85%	
Sep-00	Alabama B/C - Part A	29,516,579.69	29,047,170.86	469,408.83	1.59%	
Sep-99	Alabama B/C - Part B of A	1,452,036.78	1,451,253.66	783.12	0.05%	
Dec-99	Alabama B/C - Part B of A	1,599,687.00	1,599,104.34	582.66	0.04%	
Mar-00	Alabama B/C - Part B of A	1,681,374.92	1,680,918.37	456.55	0.03%	
Jun-00	Alabama B/C - Part B of A	5,187,173.20	5,144,600.56	42,572.64	0.82%	
Sep-00	Alabama B/C - Part B of A	4,113,094.83	4,052,899.16	60,195.67	1.46%	0.83%
Sep-99	CareFirst – Part A	23,377,568.41	11,894,704.60	11,482,863.81	49.12%	
Dec-99	CareFirst – Part A	24,070,282.21	11,971,854.01	12,098,428.20	50.26%	
Mar-00	CareFirst – Part A	25,811,195.01	12,159,417.83	13,651,777.18	52.89%	
Jun-00	CareFirst – Part A	12,998,028.51	4,786,704.06	8,211,324.45	63.17%	
Sep-00	CareFirst – Part A	13,936,063.89	5,597,002.72	8,339,061.17	59.84%	
Sep-99	CareFirst – Part B of A	4,375,169.97	2,156,160.51	2,219,009.46	50.72%	
Dec-99	CareFirst – Part B of A	4,494,140.64	2,140,250.02	2,353,890.62	52.38%	
Mar-00	CareFirst – Part B of A	4,767,427.40	2,140,250.02	2,627,177.38	55.11%	
Jun-00	CareFirst – Part B of A	2,643,246.73	997,097.12	1,646,149.61	62.28%	
Sep-00	CareFirst – Part B of A	2,826,789.59	1,106,183.18	1,720,606.41	60.87%	53.94%
Sep-00	Healthnow NY - Part B	1,650,584.60	1,647,664.40	2,920.20	0.18%	0.18%
Sep-99	HGSA - Part B	28,223,109.40	28,222,593.92	515.48	0.00%	
Dec-99	HGSA - Part B	30,254,785.83	30,250,656.27	4,129.56	0.01%	
Mar-00	HGSA - Part B	31,714,464.63	31,674,188.35	40,276.28	0.13%	
Jun-00	HGSA - Part B	20,391,502.23	20,391,055.23	447.00	0.00%	
Sep-00	HGSA - Part B	21,525,028.40	21,520,696.07	4,332.33	0.02%	0.04%
Sep-99	MetraHealth - Part B	11,045,822.76	10,966,262.71	79,560.05	0.72%	
Dec-99	MetraHealth - Part B	11,157,567.71	11,098,507.20	59,060.51	0.53%	
Mar-00	MetraHealth - Part B	10,829,991.46	10,725,805.49	104,185.97	0.96%	
Jun-00	MetraHealth - Part B	8,272,652.53	8,269,033.40	3,619.13	0.04%	0.60%
Sep-99	Veritus - Part A	5,575,245.23	4,938,658.50	636,586.73	11.42%	
Dec-99	Veritus - Part A	5,936,279.60	5,251,400.19	684,879.41	11.54%	
Mar-00	Veritus - Part A	6,301,340.88	5,587,359.27	713,981.61	11.33%	
Jun-00	Veritus - Part A	5,083,325.48	4,496,526.46	586,799.02	11.54%	
Sep-00	Veritus - Part A	3,227,168.89	2,714,372.26	512,796.63	15.89%	
Sep-99	Veritus - Part B of A	891,752.55	784,459.26	107,293.29	12.03%	
Dec-99	Veritus - Part B of A	944,540.82	830,735.78	113,805.04	12.05%	
Mar-00	Veritus - Part B of A	1,022,201.91	908,220.59	113,981.32	11.15%	
Jun-00	Veritus - Part B of A	916,054.14	805,960.19	110,093.95	12.02%	
Sep-00	Veritus - Part B of A	694,860.97	576,821.34	118,039.63	16.99%	12.09%
Sep-99	Wellmark, Inc - Part A	25,906,967.28	24,990,845.27	916,122.01	3.54%	
Dec-99	Wellmark, Inc - Part A	35,113,724.69	34,700,863.69	412,861.00	1.18%	
Mar-00	Wellmark, Inc - Part A	32,877,935.69	32,602,326.68	275,609.01	0.84%	
Sep-99	Wellmark, Inc - Part B of A	2,528,909.67	2,439,628.68	89,280.99	3.53%	
Dec-99	Wellmark, Inc - Part B of A	3,239,495.86	3,201,437.86	38,058.00	1.17%	
Mar-00	Wellmark, Inc - Part B of A	3,298,684.47	3,271,126.48	27,557.99	0.84%	1.71%



Memorandum

Centers for Medicare & Medicaid Services

Region III

Suite 216, The Public Ledger Bldg
150 S. Independence Mall West
Philadelphia, PA 19106-3499

Date: JAN 03 2002

To: Regional Inspector General for Audit

From: Acting Regional Administrator
Centers for Medicare and Medicaid Services

Subject: Review of Accounts Receivable Balances and Debt Management Activities at the Centers for Medicare and Medicaid Services, Region III (A-03-01-00012)

Thank you for the opportunity to respond to your review of Region III's debt management activities and accounts receivable balances. We have the following comments:

1. Transactions Not Included

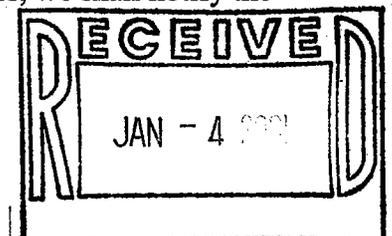
We concur with the understatement of \$652,780 to our non-MSP ending balance as of September 30, 2000. We adjusted our balance prior to your review for the quarter ending December 31, 2000. We have incorporated the following process to ensure balances are not overlooked in the future. We run ad hoc reports each quarter from the Provider Overpayment Reporting System (PORS) to capture all debts assigned to Region III --- Contractors, Office of General Counsel, Department of Justice and Office of Inspector General.

2. Unfiled Cost Reports - \$1,939,672 non-MSP and \$373, 520 CNC

We do not concur with the overstatement of \$1,939,672 in non-MSP and \$373,520 in CNC balances relating to unfiled cost reports. In accordance with program instructions as of September 30, 2000, Regional Offices were to include unfiled cost reports in their ending balance. Regions did not receive written instructions to remove these balances until the subsequent fiscal year. Therefore, without instructions to the contrary, we complied with current written instructions. It is inaccurate to assess a finding to the Regional Office for correctly applying instructions that were in effect for the period.

3. Unaccepted MSP Transfers

We concur with the findings of unaccepted transfers. In the future, we shall reconcile all transfers with reporting contractors. In the event we do not accept transfers, we shall notify the



appropriate contract and instruct them to recapture, in their ending balances, all transferred amounts not accepted by the Regional Office.

4. Unreconciled Interest Amounts

We concur with your finding on unreconciled interest amounts. In the future, we shall reconcile each quarter's report to the previous submission and reconcile any differences.

5. Settlement Cleanup Not Reported

We concur that one contractor did not complete its settlement clean-up process as of September 30, 2000. As of the writing of this document, CareFirst has completed its clean-up and has submitted a request to write-off debts attributable to CR-899.

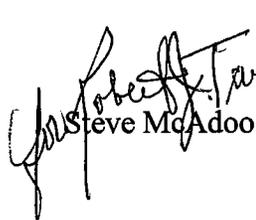
6. Duplicate MSP Accounts Receivable

The report does not provide specific examples to support your findings that MSP account receivables were duplicated. Without specific examples to review, we can neither concur or refute this finding and therefore do not have any comments at this time.

7. Interest Not Computed Correctly / Contractors Reported Inaccurate Interest Amounts on the Financial Reports

The OIG found that interest amounts broken out in the delinquent categories in Section B of the 751 report did not equal the interest total amounts reported in Section A. To correct this problem, we will review our contractors to ensure they are properly computing interest.

We thank you for the opportunity to respond to your draft report on Region III's debt management activities. In summary, we do not agree that the inclusion of unfiled cost reports is a finding against the Regional Office. With respect to the other findings, we have addressed each finding and where appropriate have established controls to correct those findings. Should you have any further questions or comments, please contact Dan Robison of my staff at (215) 861-4197.


Steve McAdoo
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ARA/DFM