Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

Inconsistent Medicare Data Concerning Carrier Payment Dates

JUNE GIBBS BROWN
Inspector General

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OFFICE OF INSPECTOR GENERAL

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June Gibbs Brown
Inspector General

OIG Final Report: "Inconsistent Medicare Data Concerning Carrier Payment Dates," OEI-03-00-00350

Nancy-Ann Min DeParle
Administrator
Health Care Financing Administration

Summary

The purpose of this report is to inform the Health Care Financing Administration (HCFA) of an inconsistency involving their claims payment data. According to HCFA's National Claims History File data, it appears that Medicare paid over 80 percent of Part B claims prior to the 14-day floor requirement. However, according to HCFA's Contractor Reporting of Operational and Workload Data (CROWD) system, payments for less than 1 percent of these Part B claims were made prior to the 14-day floor. Information from both HCFA and carrier staff indicates that data from the National Claims History File may not accurately reflect the carriers' actual date of payment.

Background

The Health Care Financing Administration, which administers the Medicare program, contracts with companies called carriers to process Medicare Part B claims. Local carriers process physician and outpatient claims. Four regional carriers, called durable medical equipment regional carriers (DMERCs), process claims for durable medical equipment, prosthetics, orthotics, and supplies.

Claims Processing Standards. According to the Medicare Carriers Manual, certain claims processing standards must be met by the carriers, including a "payment floor" standard. Carriers are instructed to hold payment of electronic claims for 13 days and to hold payment of paper claims for 26 days, starting their count on the day after the claim is received. This translates to a 14-day floor standard for electronic claims and a 27-day floor standard for paper claims. For example, payment of an approved electronic claim received on October 1, 1998, should not be made before October 15, 1998. Payment of an approved paper claim received on October 1, 1998 should not be made before October 28, 1998.

HCFA Data Systems. In 1991, HCFA implemented the Common Working File (CWF) to improve claims processing in the Medicare program. Under the CWF system, carriers send claim information to one of nine CWF host sites for approval. Before sending a claim to the CWF host sites, carriers enter the claim into their processing system, perform consistency and utilization edits, calculate a payment amount, and enter a scheduled date of payment. At the

host sites, checks are performed on the claim for consistency, entitlement, and duplication of services. Once the host sites perform these edits, they authorize the carrier to pay the claim, reject the claim, or hold the claim until more information is obtained.

The CWF host sites also forward claims data to HCFA central office. This data is used to produce HCFA's National Claims History File and other claims and utilization files. Some of this data is available to persons outside of HCFA, including persons within the Department of Health and Human Services, other Federal agencies, research organizations, and State agencies.

The CROWD system provides HCFA with automated capabilities for monitoring and analyzing data relating to the Medicare contractors' ongoing operational activities. Data from the CROWD system is provided by the contractors and is used by HCFA when conducting contractor performance evaluation reviews.

Methodology

National Claims History File. Using HCFA's National Claims History File, we gathered all 1998 local carrier and DMERC-processed claims for a 1 percent sample of Medicare beneficiaries. We used two variables to determine if the claims were paid under the floor requirement. The first variable, claim receipt date, is defined by HCFA as the date the carrier receives the claim from the physician or supplier. The second variable, the claim payment date, is defined by HCFA as the scheduled date of payment to the physician or supplier. This scheduled payment date appears on the carrier claim sent to the CWF host sites and is considered to be the date the claim is paid since no additional information regarding the actual payment date is available in the file.

We subtracted the claim receipt date from the claim payment date to calculate the number of days it took to pay the claim. We then identified those claims paid in less than 14 days since the floor for electronic claims is 14 days and the majority of claims were submitted electronically.

To perform a further check on the claim payment date, we also looked at another National Claims History File variable, the claim accretion date. The claim accretion date is defined as the date the claim is accreted (posted/processed) to the beneficiary master record at the CWF host site and authorization for payment is returned to the carrier. We subtracted the claim accretion date from the claim payment date to compare the date of the CWF's authorization to pay the claim with the scheduled date of payment as indicated by the carriers.

In addition, to determine carriers' payment patterns, we ran a frequency distribution on the claim payment date by carrier number. This data showed us the number of different pay dates for each carrier.

CROWD System. The HCFA provided us with system printouts of 1998 local carrier and DMERC data from their Contractor Reporting of Operational and Workload Data system. The information provided contains the number of claims paid and their associated processing times. To calculate the processing time for a claim, carriers are instructed to subtract the claim receipt date from the claim payment date. The carriers retrieve this data from their claims processing system. To calculate the percent of claims paid prior to the 14-day floor, we aggregated the number of claims paid during day 1 through day 13 and divided this number by the total claims processed. We did not independently verify the data contained in the CROWD system.

Other Data Sources. We reviewed pertinent sections of the Medicare Carriers Manual. We spoke with HCFA and contractor staff regarding the National Claims History File's claim payment date variable and with HCFA staff regarding data contained in the CROWD system.

Findings

The National Claims History File and CROWD system contain contradictory data regarding claims paid prior to the 14-day floor requirement

According to HCFA's 1998 National Claims History File data, Medicare paid 83 percent of local carrier claims and 82 percent of DMERC claims prior to the established 14-day floor requirement. More than half of the identified local carrier claims were paid one to three days after the claim was received by the carrier. Over two-thirds of the identified DMERC claims were paid three to five days after the carrier received the claim. However, according to HCFA's CROWD system data, less than 1 percent of both local carrier and DMERC 1998 claims were paid prior to the 14-day floor requirement.

In discussions with HCFA, we raised questions about the accuracy of the claim payment date variable in the National Claims History File. Information from both HCFA and contractor staff indicates that this variable may not accurately reflect the providers' actual date of payment. One HCFA explanation was that carriers pay claims on a cycle, and that the claim payment date was the date of the carriers' next payment cycle. Based on this explanation, one would expect the carriers' scheduled dates of payment to cluster around certain dates. However, we performed analysis on the National Claims History data and found that the carriers paid claims on almost every day of the year.

In addition, one carrier's explanation of the claim payment date variable was that their system used the date that the claim was sent to the CWF and simply added two days to arrive at the scheduled date of payment. We compared the date of the CWF's authorization to pay the claim (i.e., accretion date) with the scheduled date of payment assigned by the carriers. We found that for 22 percent of the local carrier claims and 4 percent of the DMERC claims, the scheduled payment date was actually prior to the date that the CWF authorized the carrier to pay the claim.

Recommendations

Since the claim payment date variable in the National Claims History File does not appear to adequately reflect the carriers' actual date of payment, we recommend that HCFA conduct a review of the carriers' claims processing data to examine the scheduled date of payment entered on claims sent to the CWF. If there is no correlation between the claim payment date variable and the carriers' actual date of payment, we recommend that HCFA (1) define for carriers what data should be entered into this field and how it should be calculated, and/or (2) revise the current variable definition to clarify for National Claims History data users that the scheduled date of payment is not an accurate reflection of the actual claim payment date.

In light of our findings, we believe that HCFA should also review the carriers' claims processing data to determine the accuracy of information contained in the CROWD system.

Agency Comments

The HCFA believes the inconsistency found between the CROWD and National Claims History File data is a result of the way carriers are entering prospective payment dates on claims sent to the CWF. In order to fully understand this discrepancy, the HCFA stated that a review is underway to compare data contained in the National Claims History File with data at the local carrier level. In addition, HCFA has approved two new edits which will enforce the payment floor standards on claims sent to the CWF. Based on the validity of the CROWD data through 1994, HCFA believes that payment floor standards are being met, and therefore does not plan on examining the accuracy of the CROWD data unless their review reveals problems with the CROWD system. The full text of HCFA's comments is attached.

OIG Response

We support HCFA's effort to uncover the cause of inconsistent payment data between the National Claims History File and the CROWD system. We believe the new edits will help to ensure that payment floor standards are being enforced at the CWF level. Along with these edits, we hope HCFA will instruct carriers how to calculate the scheduled payment date so this variable is accurate and consistently defined among carriers. Although the CROWD data does indicate that payment floor standards are being met, validation studies of the CROWD data have not been conducted in the last six years. Therefore, we continue to believe it is important to validate the data in the CROWD system to ensure its accuracy with regard to the payment floor standards.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing Administration

The Administrator
Washington, D.C. 20201

DATE: AUG 2 1 2000

TO: June Gibbs Brown
Inspector General

FROM: Nancy-Ann Min DeParle
Administrator

SUBJECT: Office of the Inspector General (OIG) Draft Report: "Inconsistent Medicare Data Concerning Carrier Payment Dates" (OEI-03-00-00350)

The Health Care Financing Administration (HCFA) thanks you for the opportunity to comment on the above-subject draft report. To ensure the proper context for our comments, we believe it is important to make the distinction between the very different purposes of these two systems.

Contractor Reporting of Operational and Workload Data (CROWD) is a system for electronically collecting data from Medicare contractors on their workloads and operations, for purposes of budgeting contractor operations and monitoring and evaluating contractor performance. HCFA requires every contractor to annually submit a signed certification that the information submitted related to contractor performance was prepared in accordance with HCFA directives and has not been manipulated or falsified in an effort to receive a more favorable performance evaluation. Any contractor that makes a false, fictitious, or fraudulent certification may be subject to criminal and/or civil prosecution, as well as appropriate administrative action.

The National Claims History (NCH) is a database derived from the claims records sent by contractors to the Medicare Common Working File (CWF) host sites for payment authorization. It is used to develop statistical measures on the effectiveness of the Medicare program and, in particular, the utilization of services by Medicare beneficiaries or patterns of care of medical providers. That is, these data are used for decision support and research. Since the data are not used in contractor performance evaluation, their accuracy is not covered under the contractor certification statements.

Although the NCH is an important HCFA resource, CROWD is the definitive source for operational claims payment performance data. HCFA believes, based on our extensive field validations of CROWD through 1994, that the inconsistency uncovered by OIG lies in the way the carrier standard systems are generating prospective payment dates for the outbound CWF transactions records. Given the stability of the system since the time of those reviews, we do not plan to investigate the validity of the CROWD data. However,

we think it is important to validate the data used by OIG against the local carrier records, so that all circumstances leading to the discrepancies OIG found between CROWD and the NCH data are fully understood. This review is already underway. Should it provide any indications of CROWD problems, we would expand our investigation and all circumstances leading to the discrepancies would then be accounted for in our corrective actions.

Even before we complete our investigations we have taken steps to improve the quality of NCH data. We have submitted and approved two change requests for new CWF edits, one for electronic claims and one for paper claims, which will enforce the respective 14 and 27 day statutory floor rules. Claims that fail these edits will be rejected and returned to the local carrier for correction.

Finally it is incorrect to conclude in the report that findings of apparent statutory violations exist. The essence of the OIG report is that data discrepancies exist in the reporting systems and the focus of its recommendations is to have HCFA sort out the underlying facts to determine the true state of affairs. We intend to use the report's findings to investigate the underlying issues and fix any problems that lead to the inconsistencies. Based on past validation efforts noted above, we are confident in CROWD's accuracy and that the statutory requirements are being met.

Technical Comments

We suggest revising the summary paragraph as follows:

1. Line three: insert "File" between "National Claims History" and " Data"
2. Line three: delete "we found" and replace with "it appears"
3. Line five: add "it appears that" before "payments for less than"