



Memorandum

Date JAN 6 1992
From Richard P. Kusserow
Inspector General
Subject Review of Periodic Interim Payments Made by Blue Cross of
Western Pennsylvania (A-03-91-00033)
To Gail R. Wilensky, Ph.D.
Administrator
Health Care Financing Administration

This memorandum alerts you to the issuance on January 8, 1992 of our final report. A copy is attached.

Under Medicare guidelines, intermediaries are allowed to make biweekly payments to certain providers under the Periodic Interim Payment reimbursement method (hereafter referred to as PIP payments) in lieu of interim weekly payments based on bills for services provided to Medicare beneficiaries. The objective of our review was to determine if Blue Cross of Western Pennsylvania (BCWP) overpaid providers by reimbursing them under both interim methods of reimbursement.

This review was an expansion of an earlier audit in which we concluded that BCWP had overpaid two hospitals that received PIP payments by also making interim weekly payments to them. We informed BCWP (A-03-91-00034 issued to BCWP in October 1991) that we would expand our review to all 14 hospitals that received PIP payments.

We found that BCWP erroneously made weekly payments of about \$2.7 million to the 14 hospitals that received PIP payments. With minor exceptions, all overpayments were made in June and July 1990. Since then, BCWP has done little to recover the overpayments, and has failed to comply with Medicare recovery guidelines. As a result, less than \$200,000 has been recovered, or about 6 percent of the \$2.7 million owed to Medicare.

We are not making any procedural recommendations in this report. The overpayments stopped about 1 year prior to our audit, and procedural recommendations were made in our prior report. We are recommending that BCWP coordinate with our Office of Investigations the recovery of almost \$1.7 million in outstanding overpayments (this excludes overpayments to the two hospitals included in our initial report). This coordination is necessary since the United States Attorney for the Middle District of Pennsylvania has taken jurisdiction for the recovery of the overpayments and any interest and penalties due to the Federal Government.

Page 2 - Gail R. Wilensky, Ph.D.

The BCWP has generally agreed with our findings and recommendation. Operating Division officials did not respond to our draft audit report.

For further information, contact:

Gervus A. Rafalko
Regional Inspector General
for Audit Services, Region III
FTS 596-6744

Attachment

OFFICE OF INSPECTOR GENERAL

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services' (HHS) programs as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by three OIG operating components: the Office of Audit Services, the Office of Investigations, and the Office of Evaluation and Inspections. The OIG also informs the Secretary of HHS of program and management problems, and recommends courses to correct them.

OFFICE OF AUDIT SERVICES

The OIG's Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities, and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse and mismanagement and to promote economy and efficiency throughout the Department.

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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF PERIODIC INTERIM
PAYMENTS MADE BY BLUE CROSS OF
WESTERN PENNSYLVANIA**



**Richard P. Kusserow
INSPECTOR GENERAL**

OFFICE OF THE INSPECTOR GENERAL



DEPARTMENT OF HEALTH & HUMAN SERVICES

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Our Reference: Common Identification Number A-03-91-00033

Ms. Marilyn Koch
Vice President, Government Programs
Blue Cross of Western Pennsylvania
Fifth Avenue Place
Pittsburgh, Pennsylvania 15222

Dear Ms. Koch:

This Office of Inspector General (OIG), Office of Audit Services audit report provides you with the RESULTS OF OUR REVIEW OF PERIODIC INTERIM PAYMENTS MADE BY BLUE CROSS OF WESTERN PENNSYLVANIA (BCWP). Our primary objective was to determine whether BCWP made Periodic Interim Payments (hereafter referred to as PIP payments) to hospitals in accordance with Medicare guidelines prescribed by the Health Care Financing Administration (HCFA).

Under Medicare guidelines, intermediaries are allowed to make biweekly PIP payments to certain providers in lieu of weekly payments based on actual bills for services provided to Medicare beneficiaries. Medicare overpayments occur when an intermediary makes weekly payments to a provider receiving biweekly PIP payments.

In an audit report¹ issued October 9, 1991 to BCWP, we reported that Medicare overpayments of \$916,775 were made to two hospitals that received PIP payments, and that only \$20,296 had been recovered. We recommended that BCWP implement policies and procedures to identify such overpayments and coordinate with the **OIG's** Office of Investigations the recovery of the \$896,479 of uncollected overpayments made to the two hospitals. We also informed BCWP that we were expanding our review to the other 12 hospitals serviced by BCWP that received PIP payments.

¹ Office of Inspector General, Office of Audit Services. Review of Medicare Overpayments Made by Blue Cross of Western Pennsylvania to Allied Services for the Handicapped, Inc. and The John Heinz Institute, Scranton, Pennsylvania. OIG: A-03-91-00033

We have completed our expanded review at the 12 hospitals. We have determined that during the period June 2, 1990 through July 28, 1990, BCWP erroneously made weekly payments of **\$2,710,391** to all 14 hospitals that received

BCWP made overpayments totaling over \$2.7 million to **all 14 hospitals receiving PIP** payments. Over **\$2.5 million** has yet to be recovered by **BCWP**.

biweekly PIP payments. Although the weekly payments to these hospitals have ceased, BCWP has collected only \$161,977 of the overpayments, leaving a total of **\$2,548,414** owed to Medicare.

We are not making recommendations for procedural improvements since we have done so in our prior report. We are recommending that BCWP coordinate recovery of outstanding Medicare overpayments totaling **\$1,651,935** (this amount excludes the \$896,479 owed by the two hospitals included in our prior review) with the **OIG's** Office of Investigations.

In a response to our draft report dated November 22, 1991, BCWP generally concurred with our findings and recommendation. The BCWP comments have been incorporated into this report and the response is included in its entirety **as Appendix D**.

BACKGROUND

Hospitals may be reimbursed under one of two interim reimbursement methods for inpatient hospital services. **One method is based on actual bills submitted to an intermediary for services rendered to a Medicare beneficiary.** Under this method, interim payments are calculated by applying a predetermined per diem amount to the **Medicare days** reflected on the actual bills, or by applying a predetermined percentage to the charges reflected on the **actual** bills. The predetermined per diem or percentage factors represent an estimate of the hospital's costs and is based on the previous year's costs.

The second method, referred to as the PIP payment method, is based on the estimated annual costs attributable to the estimated Medicare utilization of a hospital. Under this method, equal biweekly payments are made to a hospital without regard to actual bills for services provided to Medicare beneficiaries. A hospital receiving PIP payments must nevertheless submit actual bills so that the intermediary can verify the accuracy of the Medicare utilization rate. The BCWP makes PIP payments to 14 hospitals.

SCOPE OF AUDIT

Our limited scope audit was made in accordance with generally accepted government auditing standards. As mentioned earlier in this report, we expanded our review of 2 hospitals that received PIP payments to the other 12 hospitals that also received these payments from BCWP. Our objective was to determine if the additional 12 hospitals received overpayments in the same manner as did the 2 hospitals previously reviewed, that is they received weekly payments based on actual bills and biweekly PIP payments during the 2-year period July 1, 1989 through June 30, 1991.

To make this determination, we analyzed the payments for Medicare beneficiaries through the use of such records as weekly remittance **advices**, hospital payment summaries, intermediary bank statements, intermediary check registers, intermediary working papers, and tentative hospital cost settlements. We also reviewed Medicare cost reports and reconciled all Medicare payments made to the hospitals from July 1, 1989 through June 30, 1991, to determine if any Medicare overpayments had occurred and if so, had been recovered. These cost reports were used by BCWP in the tentative settlement process.

Most of our audit work was done at BCWP during July and August, 1991. However, we had to contact six hospitals to obtain additional documentation to determine whether Medicare overpayments occurred. Based on documentation available at BCWP, we were unable to reconcile the payments recorded on the intermediary's records to the payments reported on the cost reports for the six hospitals. We were able to make this reconciliation using information provided by the hospitals.

Since our audit was focused on overpayments made to the 14 hospitals receiving PIP payments, we did not review **BCWP's** overall procedures for collecting Medicare overpayments. Nor did we analyze the causes for the overpayments to the 14 hospitals since they had halted about 1 year prior to the start of our audit.

Other than the issues discussed in the RESULTS OF AUDIT section of this report, we found no instances of noncompliance with applicable laws and regulations. With respect to those items not tested, nothing came to our attention to cause us to believe that the untested items were not in compliance with applicable laws and regulations.

RESULTS OF AUDIT

MEDICARE OVERPAYMENTS MADE TO 14 HOSPITALS

The BCWP made improper Medicare payments of **\$2,710,391** to the 14 hospitals receiving PIP payments (Appendix A). These payments occurred because BCWP reimbursed the hospitals using both interim methods of payment, that is, biweekly PIP payments and weekly payments based on bills for services to Medicare beneficiaries.

The BCWP became aware of these overpayments and, with one minor exception, halted the weekly payments as of July 28, 1990 (Appendix B). Since that time, BCWP has neither acted in accordance with HCFA recovery guidelines nor aggressively pursued the recovery of the overpayments. As a result, only \$161,977 has been recovered and 13 of the 14 hospitals continued to owe the Medicare program a total of **\$2,548,414**.

Hospitals Reimbursed Under Both Interim Reimbursement Methods

As part of the PIP payment methodology, the 14 hospitals submitted inpatient bills to BCWP for services provided to Medicare beneficiaries. These inpatient bills were to be utilized by BCWP to determine adjustments to the Medicare utilization rate. The bills were not to be used for reimbursement purposes since the 14 hospitals were receiving PIP payments.

We found however, that, BCWP reimbursed the 14 hospitals **\$2,710,391** for 474 bills for services provided to Medicare beneficiaries while making biweekly PIP payments to the same hospitals. As shown in Appendix C, all but two of the bills were processed during the period June 2, 1990 through July 28, 1990. The overpayments to the hospitals ranged from \$35,047 to \$517,113 (six hospitals received overpayments totaling over \$100,000).

One hospital informed BCWP of the overpayments on June 25, 1990. Subsequently, four more hospitals notified BCWP of the overpayments. After the initial notification, BCWP made additional weekly payments totaling **\$1,848,770** to all 14 hospitals before halting them completely.

Recovery of Overpayments

Except for one isolated case, BCWP halted overpayments as of July 28, 1990. Since then, however, BCWP has done little to recover the overpayments, and has failed to comply with Medicare recovery guidelines. As a result, only \$161,977 has been recovered, or less than 6 percent of the **\$2,710,391** owed to Medicare.

Lack of aggressive recovery action by BCWP resulted in more than \$2.5 million of overpayments remaining uncollected for over 1 year.

The Medicare Intermediary Manual Section 3710.1 states that once an overpayment on an individual bill has been determined, the intermediary should notify the provider in writing of the overpayment and identify the method for recovery.

The BCWP did not comply with this requirement. According to BCWP officials, they verbally instructed the five hospitals, that previously notified it of the **overpayments**, to exclude the overpayments from the Fiscal Year (FY) 1990 cost reports. The BCWP told the five hospitals **that it would recover the overpayments** on a per patient basis. We found no indication that **BCWP** contacted the other nine hospitals **that received overpayments** although there **was** evidence that BCWP **was** aware of the overpayments made to at least some of these hospitals.

Had BCWP instructed the hospitals to include the overpayments on their FY 1990 cost reports, recovery would have been virtually assured. Not doing so made it all the more important that BCWP closely monitor its recovery of the overpayments on a per patient basis. We found no evidence, however, that this process was monitored. To the contrary, BCWP officials informed us that they believed that **virtually** all of the **\$2,710,391** in overpayments were recovered when, in fact, BCWP collected only \$76,464 on a per patient **basis**. Another \$85,513 was recovered only because of **voluntary refunds made by two** hospitals.

At the close of our audit, only 1 of the 14 hospitals had refunded its entire overpayment, and this **was** done voluntarily rather than through any effort on the **part** of BCWP. Thirteen hospitals owed Medicare a total of **\$2,548,414**. Among the 13 hospitals are:

- o three hospitals, owing Medicare **almost** \$1 million, that did not make a single repayment to the intermediary. It must be pointed out that we found no indication that **BCWP ever notified these hospitals of any overpayments**

- o five hospitals that notified BCWP of the overpayments. They still owed Medicare **\$1,059,991** of the **\$1,143,168** in overpayments that they had received, primarily because: (1) they followed BCWP instructions not to include the overpayments in their FY 1990 cost reports; and (2) BCWP did not recover the overpayments on a per patient basis as it had intended.

Conclusions and Recommendations

Our review showed that BCWP made Medicare overpayments totaling **\$2,710,391** to the 14 hospitals receiving PIP payments. These overpayments occurred because the hospitals were reimbursed under both interim reimbursement methods--weekly payments based on actual bills and bi-weekly PIP payments. The overpayments ceased in July 1990 but BCWP did not aggressively pursue recovery from the 14 hospitals. As a result, only \$161,977 of the **\$2,710,391** was recovered, leaving **\$2,548,414** owed to the Medicare program.

We are not making any procedural recommendations since the overpayments have stopped and appropriate recommendations were made in our prior report. We are recommending that BCWP:

Coordinate with the Office of Investigations the recovery of the \$1,651,935 in overpayments that remain outstanding (this excludes overpayments to the two hospitals included in our initial report).

BCWP Comments and OIG Response

The BCWP stated that the facts presented in our draft report were accurate, agreed to coordinate the recovery of the **\$1,651,935** with the Office of Investigations, and described how the audit adjustments would be made. The BCWP also stated that there were some implications in the audit report that may lead the reader to incorrect conclusions.

We have carefully reviewed **BCWP's** response to our draft report and are pleased to learn that it generally agreed with our findings and recommendation. We do, however, want to discuss **BCWP's** intended method of making the audit adjustments and the implications referred to.

- o The BCWP stated that it intended to make audit adjustments to incorporate the non-PIP payments on the final settlement of the cost reports of the 14 hospitals.

We want to emphasize to BCWP that no action should be taken to make the audit adjustments on CL- --rt reports prior to

Investigations. This was our recommendation in the draft audit report and we reiterated our position in a conference call on December 5, 1991. Representatives from the Office of Audit Services, the Office of Investigations, HCFA and BCWP participated in this conference call. The BCWP representative agreed to coordinate with the Office of Investigations prior to initiating recovery action.

- o The BCWP stated that our identification of the overpayments as "duplicate" payments is technically incorrect. The BCWP stated that the term "**duplicate**" means that the claims were paid twice when actually the providers were overpaid due to claims appearing on the non-PIP remittances.

We did not use the term "**duplicate**" payments in our draft report and, therefore, do not agree that the reader could reach an incorrect conclusion as stated in **BCWP's** response. In our draft report we correctly stated that the overpayments resulted from BCWP reimbursing hospitals under both interim reimbursement methods--weekly payments based on bills for services provided to Medicare beneficiaries and bi-weekly PIP payments.

- o The BCWP stated that our draft report indicated that the overpayment was "determined" by the intermediary and that there was a delay in the recoupment process. For Medicare purposes, the term "determined" indicates that an actual settlement or formal document was issued to the provider notifying them of the overpayment. The problem was noted as claims being processed incorrectly due to a system malfunction and the claims were scheduled for adjustment.

We did not state or otherwise indicate in our draft report that the overpayment was "**determined**" by the intermediary. Rather than to imply that an actual settlement or formal document was issued to the providers notifying them of the overpayments, our draft report stated that there was no indication that BCWP ever notified 9 of the 14 hospitals of the existence of the overpayments.

As far as a delay in the recoupment process is concerned, there was a delay. The overpayments were made in June and July of 1990. When we ended our on-site audit work in August, 1991, over 1 year later, 94 percent of the amount overpaid was uncollected.

- o The BCWP stated that provisions of Medicare Intermediary Manual Section 3710.1 could have been implemented but that it does not receive the funding to process a notice each and every time a claims overpayment occurs.

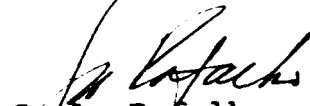
If BCWP has difficulty implementing a provision which ensures that Medicare overpayments made by an intermediary are recovered timely, it should refer this issue to HCFA for resolution. Moreover, the overpayments of over \$2.7 million discussed in this report are not your typical claims overpayment. The entire weekly payments (one payment as high as \$239,384 and seven payments over \$100,000) made to the 14 hospitals in June and July 1990 were in error and should have been returned to the Medicare program in a timely manner.

Final determination as to actions to be taken on all matters will be made by the HHS officials named below. The Regional Inspector General for Investigations will contact you to resolve overpayments identified in this audit report. The Associate Regional Administrator for Medicare will contact you pertaining to all other matters contained in this report. Any additional comments or information that you believe may have a bearing on the resolution of this audit may be presented at that time. Should you have any questions please contact Mr. John E. Hartwig, Regional Inspector General for Investigations at (215) 596-6796.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), the HHS/OIG Office of Audit Services reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act, which the Department chooses to exercise. (See Section 5.71 of the Department's Public Information Regulation, dated August 1974, as revised.)

To facilitate identification, please refer to the referenced common identification number in all correspondence relating to this report.

Sincerely yours,


G. A. Rafalko
Regional Inspector General

Page 9 - Ms. Marilyn Koch

HHS Officials

Office of **Inspector** General

Mr. John E. **Hartwig**
Regional Inspector General for Investigations
P.O. Box 8049
Philadelphia, Pennsylvania 19101

Health Care **Financing** Administration

Associate Regional Administrator
Division of Medicare
3535 Market Street
Philadelphia, Pennsylvania 19104

APPENDIX A

BLUE CROSS OF WESTERN PENNSYLVANIA
SUMMARY SCHEDULE OF OVERPAYMENTS
MADE TO THE FOURTEEN PROVIDERS
DURING THE PERIOD 7/1/89 TO 6/30/91

PROVIDERS	OVERPAYMENT MADE IN THE		TOTAL OVERPAYMENT	AMOUNT RECOVERED THROUGH			TOTAL OVERPAYMENT OUTSTANDING
	FYE 6/30/90	FYE 6/30/91		REGULAR REMITTANCE	TENTATIVE COST REPORT SETTLEMENT	TOTAL	
City Mem. Hospital (#390125)	\$34,290	\$31,596	\$65,886	(\$10,204)	\$0	\$55,682	
Corp. of Bedford City (#390117) (2)	18,126	34,430	52,556	(2,137)	0	50,419	
Community Hospital (#390217) (3)	178,081	105,305	283,386	(10,754)	0	272,632	
Hospital (#390093) (2) (3)	39,308	22,275	61,581	0	(50,466)	11,115	
Allegheny Rehab. Hospital (#393027)	255,857	261,256	517,113	0	0	517,113	
Kaul Mem. Hospital (#390154) (3)	49,967	9,080	59,047	(6,272)	0	52,775	
Allegheny Psych. Institute (#394025)	137,529	291,625	429,154	0	0	429,154	
Allegheny Parkway Area Hospital (#390199) (3)	13,679	21,368	35,047	0	(35,047)	0	
Allegheny General Hospital (#390161)	17,283	22,616	39,899	0	0	39,899	
Allegheny Children's Hospital (#390138) (3)	25,680	44,244	69,924	(11,028)	0	58,896	
Allegheny Services Inst. (#393030) (1) (2)	102,920	338,456	441,276	(12,154)	0	429,122	
Allegheny Children's Institute (#393036) (1) (2)	134,762	340,737	475,499	(6,142)	0	467,357	
Allegheny Erie Hospital (#390191)	35,419	32,348	67,767	(5,495)	0	62,272	
Allegheny General Hospital (#390056) (2) (3)	49,145	63,111	112,256	(10,278)	0	101,978	
S	\$1,091,944	\$1,618,447	\$2,710,391	(\$76,464)	(\$65,613)	\$2,548,414	

1. Overpayments made by Blue Cross of Western Pennsylvania to Allied Services Inc. and John Henz Institute totaling 775 were reported in a draft report August 27, 1991 under the Common Identification Number (CIN) A-03-91-00034.

2. Hospitals which identified the overpayments to BCWP.

3. Hospitals contacted by the OIG/OAS

THE BOARD OF DIRECTORS OF
MADE TO THE FOURTEEN PROVIDERS
 DURING THE PERIOD 7/1/89 TO 6/30/91

Payment Date	Wayne #390125	Bedford #390117	Frick #380217	Clarion #390093	Harmarville #393027	Andrew Kaul #390154	W. Psych. #394025	Punxsutawney #390199	Elk Cty. #390161	Waynesboro #390138	Allied #393030	John Heinz #393036	Brookville #390101	J. C. Blair #390056	TOTAL PAYMENTS
07/25, 1989	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,643	\$0	\$0	\$0	\$0	\$1,643
1990	6,788	0	7,978	4,649	0	2,170	0	0	0	2,762	0	0	4,477	3,421	31,256
1990	0	0	17,004	0	0	10,157	0	0	0	0	0	0	2,885	5,922	35,968
1990	7,338	0	88,511	12,242	0	10,475	0	6,077	5,288	6,953	0	0	11,116	14,569	164,669
1990	12,184	6,015	42,660	8,582	230,804	20,811	137,529	0	3,782	6,508	71,842	86,399	6,853	31,787	667,336
1990	6,970	12,111	39,411	13,833	25,053	6,354	0	7,802	8,233	3,614	31,178	46,363	10,288	5,470	220,480
			(17,483)											(12,024)	(29,607)
10 Totals:	\$34,290	\$18,126	\$178,081	\$39,306	\$255,857	\$49,987	\$137,529	\$13,679	\$17,283	\$25,960	\$102,820	\$134,762	\$35,419	\$49,145	\$1,091,944
1990	\$15,791	\$10,558	\$34,598	\$11,161	\$142,172	\$0	\$25,760	\$11,778	\$12,523	\$20,286	\$209,268	\$238,384	\$2,692	\$44,453	\$780,440
1990	11,448	13,283	33,379	5,053	60,816	929	167,404	9,592	4,310	15,870	105,744	48,326	6,634	9,279	513,067
1990	4,357	10,559	40,709	3,059	38,268	8,151	98,461	0	5,783	8,088	23,424	46,029	20,378	6,034	315,330
1990	0	0	6,464	3,002	0	0	0	0	0	0	0	5,996	0	1,345	16,809
12, 1991	0	0	0	0	0	0	0	0	0	0	0	0	2,644	0	2,644
			(9,843)												(9,843)
11 Totals:	\$31,596	\$34,430	\$105,305	\$22,275	\$281,256	\$9,080	\$291,825	\$21,368	\$22,816	\$44,244	\$338,456	\$340,737	\$32,348	\$65,111	\$1,616,447
12 Totals:	\$65,886	\$52,556	\$283,386	\$61,581	\$517,113	\$59,047	\$429,154	\$35,047	\$39,599	\$69,924	\$441,276	\$475,499	\$67,767	\$112,266	\$2,710,391

(1)

(1) The overpayment for Frick was decreased by \$27,326, because of allowable Disproportionate Share.

(2) The overpayment for J. C. Blair was decreased by \$12,024, because of allowable Outlier Amount.

(2)

BLUE CROSS OF WESTERN PENNSYLVANIA
 SUMMARY SCHEDULE OF OVERPAYMENTS'
 CLAIMS MADE TO THE FOURTEEN PROVIDERS'
 DURING THE PERIOD 7/1/88 TO 6/30/91

Payment Date	Wayne #390125	Bedford #390117	Flick #390217	Clarion #390093	Herrsville #393027	Andrew Kaul #390154	W. Paych. #394025	Punxsutawney #390199	Elk Cty. #390161	Waynesboro #390136	Allied #390300	John Henz #392036	Brookville #390191	J. C. Blair #390056	TOTAL CLAIMS
November 25, 1989	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1
June 02, 1990	2	0	3	2	0	1	0	0	0	1	0	0	1	0	11
June 09, 1990	0	0	3	0	0	3	0	0	0	0	0	0	2	3	11
June 16, 1990	3	0	20	7	0	3	0	3	3	3	0	0	3	4	49
June 23, 1990	4	3	10	2	20	6	6	0	1	3	10	11	3	5	64
June 30, 1990	2	5	7	3	2	3	0	3	5	2	3	4	6	3	47
FIVE 1990 Totals:	11	8	43	14	22	16	6	6	9	10	13	15	14	16	203
July 07, 1990	5	4	9	6	14	0	2	4	4	5	21	39	2	16	131
July 14, 1990	2	3	11	2	8	1	10	4	2	4	17	9	2	1	76
July 21, 1990	2	3	9	1	7	4	5	0	3	5	3	6	6	3	57
July 28, 1990	0	0	2	1	0	0	0	0	0	0	0	2	0	1	6
January 12, 1991	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1
FIVE 1991 Totals:	9	10	31	10	29	5	17	6	9	14	41	56	11	21	27
Claims Totals:	20	18	74	24	51	21	23	14	18	24	64	71	26	37	474

MEDICARE

APPENDIX D



Blue Cross

Of Western Pennsylvania

Fifth Avenue Place, Pittsburgh, PA 15222-3099

• Phone (412) 255-7000

November 22, 1991

Mr. G.A. Rafalko
Regional Inspector **General**
for Audit Services
Health Care Financing Administration
P. O. Box 13716, Mail Stop 9
Philadelphia, Pennsylvania 19101

Dear Mr. Rafalko:

I have reviewed your draft report A-03-91-00033 titled "**Results of Our Review of Medicare Overpayments Made by Blue Cross of Western Pennsylvania (BCWP) to Hospitals Reimbursed Under the Periodic Interim Payments (PIP) Reimbursement Method**".

Although the facts presented in the report **are accurate**, there are some implications that may lead the reader to incorrect conclusions.

First, these payments are identified as being "duplicate" payments which is not technically correct. The term "**duplicate**" means that the claims were paid twice when actually the providers were overpaid due to the claims appearing on the non PIP remittances. The amount of the PIP payments during the fiscal **period are based upon estimated costs and utilization but the actual amount of the overpayment cannot be determined until the final settlement of the cost reports.** It is possible that these estimates could have been understated and that the total amount of the overpayment could be **less than the amounts paid on the non-PIP remittance advices.**

Second, the report indicates that the overpayment was "determined" by the intermediary and that there was a **delay in the recoupment process.** For Medicare purposes, the term "determined" means that an actual settlement **or formal document was issued to the provider** notifying them of the amount of the overpayment. When this occurs, an entry is required on the **provider Overpayment Report.** The **problem was noted as claims being processed incorrectly due to a system malfunction and the claims were scheduled for adjustment.** This would **seem** to be the identical situation for any other **claim** adjustment in the system.

Third, the report makes reference to the **Medicare Intermediary Manual Section 3710.1** which states that once **an overpayment on an**

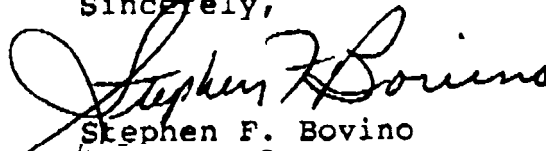
G. A. Rafalko
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recovery. Although this method of notification could have been used, **this regulation is very difficult** to follow as we do not receive the funding necessary to process a notice each and every time a claims overpayment occurs.

Your only recommendation is that we coordinate with the Office of Investigations, the recovery of the **\$1,651,935** in overpayments that remain outstanding. We will certainly do that but we would like to share with you our intentions as to correcting and collecting the overpayment. Audit adjustments will be made to **incorporate the non-PIP** payments on the final settlement of the cost reports of these 14 identified PIP hospitals.

Please let me know if you have any questions.

Sincerely,


Stephen F. Bovino
Director of Procurement

SFB/mb238