



May 17, 2011

**TO:** Donald M. Berwick, M.D.  
Administrator  
Centers for Medicare & Medicaid Services

**FROM:** /Diann M. Saltman/ for  
George M. Reeb  
Acting Deputy Inspector General for Audit Services

**SUBJECT:** Review of Medicare Payments to Prescription Drug Plans on Behalf of Deceased Enrollees (A-05-09-00027)

The attached final report provides the results of our review of Medicare payments to prescription drug plans on behalf of deceased enrollees.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that the Office of Inspector General (OIG) post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to contact me at (410) 786-7104, or through email at [George.Reeb@oig.hhs.gov](mailto:George.Reeb@oig.hhs.gov). We look forward to receiving your final management decision within 6 months. Please refer to report number A-05-09-00027 in all correspondence.

Attachment

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF MEDICARE PAYMENTS TO  
PRESCRIPTION DRUG PLANS ON  
BEHALF OF DECEASED ENROLLEES**



Daniel R. Levinson  
Inspector General

May 2011  
A-05-09-00027

# *Office of Inspector General*

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## **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**

Title I of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established the Medicare Part D prescription drug benefit. Medicare Part D offers Medicare beneficiaries prescription drug options for health care coverage.

The Centers for Medicare & Medicaid Services (CMS) makes payments at the beginning of each month to prescription drug plan sponsors for direct, reinsurance, and low-income cost-sharing subsidies for individuals enrolled in prescription drug plans. After an enrollee dies, the last allowable payment is for the month in which the enrollee died. CMS has systems that identify deceased enrollees to initiate disenrollment and prevent improper payments made to prescription drug plan sponsors for the months following the enrollees' deaths.

For the period July 1, 2005, through July 31, 2007, approximately 2.7 million Medicare enrollees (as identified on the Social Security Administration's (SSA) systems) died and had at some point been enrolled with prescription drug plan sponsors.

### **OBJECTIVES**

Our objectives were to determine whether CMS (1) made payments on behalf of deceased Medicare enrollees to prescription drug plan sponsors for coverage periods after the enrollees' months of death and (2) recovered payments made on behalf of deceased enrollees on a timely basis.

### **SUMMARY OF FINDINGS**

CMS made approximately \$3.6 million of unallowable payments on behalf of deceased Medicare enrollees to prescription drug plan sponsors for coverage periods after the enrollees' months of death. CMS made improper payments for 1,500 of the 2.7 million deceased enrollees (far less than 1 percent of the enrollees who died). As of January 31, 2010, \$3,610,710 in improper payments remained uncollected. CMS's systems categorized these enrollees as alive or as having different dates of death than those listed in the SSA death master file. Although CMS had correctly stopped payments for the vast majority of deceased enrollees, its systems did not always identify and prevent the improper payments. In addition, CMS did not always recover payments made on behalf of deceased enrollees on a timely basis.

### **RECOMMENDATIONS**

We recommend that CMS:

- recoup the \$3,610,710 in payments for deceased Medicare enrollees,
- recover improper payments in a timely manner, and

- implement system enhancements to prevent and detect future improper payments for deceased enrollees.

## **CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS**

In written comments on our draft report, CMS concurred with our recommendations. However, with respect to our first recommendation, CMS said that it believed it had recovered the \$3.6 million in payments made for deceased Medicare enrollees. CMS also said that it could confirm the recovery if we provided the necessary data. With respect to our second and third recommendations, CMS stated that it had implemented system enhancements that allow it to recover improper payments immediately after notification of the date of death and to detect and prevent payments for deceased beneficiaries.

CMS's comments are included in their entirety as the Appendix.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

Nothing in CMS's comments caused us to change our findings or recommendations. As of January 2010, CMS had not recouped the \$3.6 million in payments made for deceased Medicare enrollees. Although CMS's system showed that 439 beneficiaries in our finding were deceased, it had not recovered these payments back to the dates of death that we verified. CMS's system did not show 1,061 of these beneficiaries as being deceased. We provided the requested data to CMS on February 11, 2011.

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## INTRODUCTION

### BACKGROUND

#### **Medicare Prescription Drug, Improvement, and Modernization Act of 2003**

Title I of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003<sup>1</sup> amended Title XVIII of the Social Security Act by establishing the Medicare Part D prescription drug benefit, which provides optional prescription drug coverage for individuals who are entitled to Medicare Part A or enrolled in Part B. The Centers for Medicare & Medicaid Services (CMS), which administers Medicare, contracts with private prescription drug plans and Medicare Advantage plans to offer prescription drug benefits to eligible individuals.

Under Part D, which began January 1, 2006, the Medicare program subsidizes the prescription drug benefit for Medicare enrollees. CMS makes payments at the beginning of each month to the prescription drug plan sponsors for direct, reinsurance, and low-income cost-sharing subsidies for individuals enrolled in the prescription drug plans. The amount of the payments may be different for each enrollee. To calculate the payments, CMS uses a process that incorporates each enrollee's demographics and health status information. CMS calculates the payment using the enrollee's most current information available when it makes payments to the prescription drug plans. If CMS receives health status information that would either increase or decrease the previous monthly payments, it makes retroactive adjustments to correct the payment level. CMS also reconciles levels of enrollment, risk factors, levels of incurred allowable drug costs, reinsurance amounts, and low-income subsidies after the end of each year to determine reconciliation payment adjustments. Thus, CMS routinely makes multiple payment adjustments after the initial payment for Medicare enrollees. These payments continue for each enrollee until the month in which the enrollee's disenrollment becomes effective.

Pursuant to Federal regulations, after an enrollee dies, the last allowable payment is for the month in which the enrollee died. For deceased enrollees, CMS makes adjustments to correct the payment levels for the months in which the individual had, before his or her death, been enrolled in the prescription drug plan. CMS also retroactively recoups any payments made to prescription drug plans on the behalf of deceased enrollees for the months after the enrollees' deaths.

#### **Disenrollment From Prescription Drug Programs for Deceased Enrollees**

The Social Security Administration (SSA) is CMS's primary source of information about deceased enrollees. To identify these deceased individuals, CMS's Enrollment Database (EDB) interfaces with SSA's systems. CMS then records the enrollees' dates of death in a database table that is a part of CMS's Common Tables data structure.

Dates of death are then accessible by several applications, including the EDB, the Medicare Beneficiary Database (MBD), the Medicare Advantage and Prescription Drug (MARx) system,

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<sup>1</sup> The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173, Title I.



and the Common Working File.<sup>2</sup> These applications interact to process disenrollments for deceased enrollees.

The EDB is CMS's authoritative source for Medicare entitlement information for the entire population of past and present Medicare enrollees. The MARx application maintains information as to when Medicare enrollees enroll in or disenroll from a prescription drug plan. Both the entitlement information and enrollment information are contained within the Common Tables data structure. As dates of death are posted to the Common Tables data store, the MBD output provides the information to the MARx system, which is used to process all enrollment in and disenrollment from the Medicare Part D program.<sup>3</sup> The MARx system also contains the related payment history, including adjustments, that shows the specific months for which CMS made payments to prescription drug plan sponsors for enrollees.

According to CMS, disenrollment of deceased Medicare enrollees from prescription drug plans should occur in the following manner. When a date of death is posted into the Common Tables database table (via the EDB's interface with SSA), the MBD output notifies the MARx system of the date of death, and the MARx system disenrolls the enrollee from the prescription drug plan at the end of the month in which the death occurred. The payments, including adjustments that CMS made on behalf of the deceased enrollee, both for the periods before and after the enrollee's death, are included in the MARx system. By using this process, CMS should be able to prevent and, if necessary, recoup payments made to prescription drug plan sponsors for the months following an enrollee's death.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

Our objectives were to determine whether CMS (1) made payments on behalf of deceased Medicare enrollees to prescription drug plan sponsors for coverage periods after the enrollees' months of death and (2) recovered payments made on behalf of deceased enrollees on a timely basis.

### **Scope**

Our audit included Medicare Part D payments made during January 2006 through December 2007 for approximately 2.7 million Part D enrollees who, according to SSA, died between July 1, 2005, and July 31, 2007. These enrollees either were or had been enrolled in a prescription drug plan. For purposes of this audit, we considered an improper payment to be a payment that CMS (1) made to a prescription drug plan for coverage in months after an

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<sup>2</sup> The Common Working File is the CMS system used by fiscal intermediaries, carriers, and Medicare administrative contractors to process fee-for-service claims.

<sup>3</sup> The MARx system also processes enrollment/disenrollment transactions for the Medicare Part C program. We audited payments made after the month of death of Medicare enrollees in the Part C program as part of a separate audit (A-07-07-01046).

enrollee's month of death and (2) did not fully recoup and therefore (as of January 2010) remained uncollected.

We reviewed the internal controls at CMS to the extent necessary to accomplish the audit objectives. To identify any improper payments, we relied on the accuracy and completeness of the information contained in the CMS databases discussed earlier. Accordingly, we did not review or test the accuracy or completeness of those databases.

We performed the fieldwork from December 2008 through July 2010.

## **Methodology**

To accomplish our objective:

- We reviewed Federal regulations and CMS's policies and procedures for payments on behalf of Medicare enrollees in Medicare Part D.
- We identified enrollees:
  - who, according to SSA's computer database system as of January 11, 2008, died between July 1, 2005, and July 31, 2007;
  - who, according to CMS's EDB, were enrolled in Medicare Part D prescription drug plans only; and
  - for whom CMS made payments to a prescription drug plan sponsor for 1 or more months after the enrollee's death, as shown on the MARx system during the period January 2006 through December 2007 (the most recent information available at the time we performed our data match).<sup>4</sup>
- We verified the enrollees' dates of death by comparing data from SSA's systems with data, as of July 2010, from either the EDB or Accurint.<sup>5</sup>
- We used updated MARx system information, as of January 2010, to calculate the total amount of improper payments made to prescription drug plan sponsors for coverage periods on behalf of each deceased enrollee.
- We discussed the results of our review with CMS officials and provided them with spreadsheets that identified each of the improper payments.

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<sup>4</sup> These payment files included retroactive adjustments that extended back to January 2006 and continued through December 2007.

<sup>5</sup> Accurint is a LexisNexis data depository that contains more than 20 billion records from more than 10,000 data sources. Accurint's primary source for dates of death is SSA's death master file. Accurint also contains death information from obituaries and State death records.

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 findings and conclusions based on our audit objectives.

## **FINDINGS AND RECOMMENDATIONS**

CMS made approximately \$3.6 million of unallowable payments on behalf of deceased Medicare enrollees to prescription drug plan sponsors for coverage periods after the enrollees' months of death. CMS made improper payments on behalf of 1,500 of the 2.7 million deceased enrollees (far less than 1 percent of the enrollees who died). As of January 31, 2010, \$3,610,710 in improper payments remained uncollected. CMS's systems categorized these enrollees as alive or as having different dates of death than those listed in the SSA death master file. Although CMS had correctly stopped payments for the vast majority of deceased enrollees, its systems did not always identify and prevent the improper payments. In addition, CMS did not always recover payments made on behalf of deceased enrollees on a timely basis.

### **PAYMENTS FOR DECEASED MEDICARE PART D PRESCRIPTION DRUG PLAN ENROLLEES**

#### **Federal Requirements**

Federal requirements state that a prescription drug plan sponsor must disenroll an individual from its prescription drug plan on the death of the individual (42 CFR § 423.44(b)(2)(iii)). Also, regulations state that “[i]f the individual dies, disenrollment is effective the first day of the calendar month following the month of death” (42 CFR § 423.44(d)(4)). As a result, the final payment to the sponsor should be for the month in which the enrollee died.

The *Medicare Prescription Drug Benefit Manual*, Pub. 100-18, chapter 3, section 40.2.3, states that CMS will disenroll an individual from a prescription drug plan upon his/her death, and CMS will notify the prescription drug plan sponsor that the individual has died.<sup>6</sup>

#### **Improper Payments**

CMS improperly made payments to prescription drug plan sponsors for 1,500 deceased enrollees. Even though CMS's systems are designed to interact with SSA systems each month to identify deceased enrollees, we found uncollected overpayments continued to exist for some deceased enrollees more than 2 years after SSA had categorized them as deceased (Table 1).

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<sup>6</sup> After the audit period, CMS moved this manual provision to section 50.2.3.

**Table 1: Deceased Enrollees With Uncollected Improper Payments as of January 2010**

<b>Year of Enrollee's Death</b>	<b>Number of Enrollees</b>
2005	333
2006	813
2007	354
<b>Total</b>	<b>1,500</b>

Each of these enrollees was categorized as deceased in SSA's computer database systems as of January 11, 2008. As of January 31, 2010, CMS's payment systems showed \$3,610,710 in improper payments to prescription drug plan sponsors that remained uncollected. CMS's systems categorized these enrollees as alive or as having different dates of death than those listed in the SSA death master file.

Our analysis of the payment files also found that CMS made several adjustments to recoup improper payments made after the months in which the enrollees died. Specifically, CMS either made the correct payments or recovered payments for the months after death in well over 99 percent of the instances in which the Medicare enrollees died.

#### **Timeliness of Retroactive Adjustments**

CMS made retroactive adjustments to completely recover overpayments for 2,222 deceased enrollees. Disenrollment is effective the first day of the calendar month following the month of death. However, CMS often made adjustments to recover improper payments several months after an enrollee died (Table 2).

**Table 2: Delay in Recovery for 2,222 Deceased Enrollees With Payments Recovered in Full**

<b>Time From Effective Disenrollment to Full Recovery</b>	<b>Number of Enrollees</b>
1–6 months	272
7–12 months	300
13–18 months	107
19–24 months	1,004
25–30 months	427
31–36 months	89
37–39 months	23
<b>Total</b>	<b>2,222</b>

We have provided CMS officials with copies of payment records for each of the 3,722 enrollees identified in this report.

## **RECOMMENDATIONS**

We recommend that CMS:

- recoup the \$3,610,710 in payments for deceased Medicare enrollees,
- recover improper payments in a timely manner, and
- implement system enhancements to prevent and detect future improper payments for deceased enrollees.

## **CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS**

In written comments on our draft report, CMS concurred with our recommendations. However, with respect to our first recommendation, CMS said that it believed it had recovered the \$3.6 million in payments made for deceased Medicare enrollees. CMS also said that it could confirm the recovery if we provided the necessary data. With respect to our second and third recommendations, CMS stated that it had implemented system enhancements that allow it to recover improper payments immediately after notification of the date of death and to detect and prevent payments for deceased beneficiaries.

CMS's comments are included in their entirety as the Appendix.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

Nothing in CMS's comments caused us to change our findings and recommendations. As of January 2010, CMS had not recouped the \$3.6 million in payments made for deceased Medicare enrollees. Although CMS's system showed that 439 beneficiaries in our finding were deceased, it had not recovered these payments back to the dates of death that we verified. CMS's system did not show 1,061 of these beneficiaries as being deceased. We provided the requested data to CMS on February 11, 2011.

# **APPENDIX**

**APPENDIX: CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS**

DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Centers for Medicare &amp; Medicaid Services

*Administrator*  
Washington, DC 20201**DATE:** FEB 24 2011**TO:** Daniel R. Levinson  
Inspector General**FROM:** Donald M. Berwick, M.D.  
Administrator

A handwritten signature in black ink, appearing to read "Donald M. Berwick", written over the printed name and title.

**SUBJECT:** Office of Inspector General (OIG) Draft Report: Review of Medicare Payments to Prescription Drug Plans on Behalf of Deceased Enrollees (A-05-09-00027)

Thank you for the opportunity to comment on this draft report concerning your review of payments to Medicare Prescription Drug Plans on behalf of deceased enrollees. The Centers for Medicare & Medicaid Services (CMS) shares the OIG's concern regarding the accuracy of payments calculated by the Medicare Advantage Prescription Drug System (MARx).

**OIG Recommendation**

The OIG recommends that CMS recoup the \$3,610,710 in payments for deceased Medicare enrollees.

**CMS Response**

CMS concurs with this recommendation, but disagrees that CMS has not yet recouped these payments.

CMS implemented system enhancements in 2006 and 2007 that allow CMS to detect and recover improper payments made for deceased Medicare enrollees. While these enhancements were not in place when some of the improper payments mentioned in the OIG report occurred, the enhancements allow CMS to retroactively correct improper payments made for deceased Medicare enrollees. As a result, we believe CMS has recovered the \$3.6 million in payments made for deceased Medicare enrollees reviewed for the OIG report. CMS can confirm that recovery was made if the OIG provides the necessary data.

**OIG Recommendation**

The OIG recommends that CMS recover improper payments in a timely manner.

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**CMS Response**

CMS concurs with this recommendation and implemented system enhancements in 2006 and 2007 that allow CMS to recover improper payments immediately once CMS is notified of the date of death. The Social Security Administration (SSA) passes death dates on to CMS in the daily exchange of data between our two agencies. A notification of death for a Part D enrollee is sent to the MARx system where an automatic disenrollment is processed for the month after death and the appropriate payment adjustment is made to recover any overpayment made to the Part D sponsor. Also, as noted in the third response, CMS has implemented an automated process in our monthly payment procedures to assure that we have stopped payment to deceased beneficiaries.

**OIG Recommendation**

The OIG recommends that CMS implement system enhancements to prevent and detect future improper payments for deceased enrollees.

**CMS Response**

CMS concurs with this recommendation, and has implemented system enhancements in MARx to detect payments to deceased beneficiaries. Beginning in 2007, an automated process was added to our monthly payment procedures to assure payments are not made for deceased beneficiaries that are reported to CMS by SSA.

Thank you again for the opportunity to comment on this report.