



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region V  
233 North Michigan Avenue  
Suite 1360  
Chicago, IL 60601

March 23, 2010

Report Number: A-05-09-00075

Ms. Shelly Foxworthy  
Vice President, Medicare Audit and Reimbursement  
Wisconsin Physicians Service Insurance Corporation  
3333 Farnam Street, Suite 700  
Omaha, NE 68131

Dear Ms. Foxworthy:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Wisconsin Physicians Service Insurance Corporation Medicare Payments to Providers Terminated Between January 1, 2003, and January 31, 2007*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that 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 call me, or contact David Markulin, Audit Manager, at (312) 353-1644 or through email at [David.Markulin@oig.hhs.gov](mailto:David.Markulin@oig.hhs.gov). Please refer to report number A-05-09-00075 in all correspondence.

Sincerely,

/James C. Cox/  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Nanette Foster Reilly  
Consortium Administrator  
Consortium for Financial Management & Fee for Service Operations  
Centers for Medicare & Medicaid Services  
601 East 12th Street, Room 235  
Kansas City, MO 64106

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF  
WISCONSIN PHYSICIANS SERVICE  
INSURANCE CORPORATION  
MEDICARE PAYMENTS TO  
PROVIDERS TERMINATED  
BETWEEN JANUARY 1, 2003,  
AND JANUARY 31, 2007**



Daniel R. Levinson  
Inspector General

March 2010  
A-05-09-00075

# *Office of Inspector General*

<http://oig.hhs.gov>

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Title XVIII of the Social Security Act (the Act), the Medicare program provides health insurance for people aged 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services (CMS), which administers the program, uses Medicare contractors, such as fiscal intermediaries (FI), to process and pay Medicare claims submitted by health care providers. Section 911 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173, which became effective on October 1, 2005, amended certain sections of the Act to require that Medicare administrative contractors (MAC) replace FIs and carriers by October 2011.

Medicare contractors, such as FIs and MACs, must comply with Medicare laws, regulations, and guidance, including provisions for processing payments to terminated Medicare providers. Section 1866(b) of the Act provides for the termination of provider agreements, which set forth the terms and conditions for participation in the Medicare program. Sections 1814(a) and 1866 of the Act generally do not allow payment for services provided on or after an agreement's termination date. The *Medicare Financial Management Manual*, Pub. No. 100-06, chapter 7, requires Medicare contractors to maintain internal controls to prevent erroneous payments; chapter 3 requires Medicare contractors to pursue recovery of overpayments, including those made to terminated Medicare providers.

Mutual of Omaha Insurance Company (Mutual of Omaha) was an FI during our audit period (January 1, 2003, through January 31, 2007). However, this report refers to the auditee as Wisconsin Physicians Service Insurance Corporation (WPS) because in November 2007, WPS assumed the FI business operations of Mutual of Omaha. CMS had previously awarded WPS a MAC contract for the administration of Medicare Part A and Part B claims.

### **OBJECTIVE**

Our objective was to determine whether WPS recovered Medicare overpayments for services furnished on or after the effective termination dates of provider agreements.

### **SUMMARY OF FINDING**

WPS did not always recover Medicare overpayments for services furnished on or after the effective termination dates of provider agreements. For 427 of the 430 terminated providers whose payments we reviewed, WPS had not made material overpayments that were subject to recovery as of the start of our audit. However, for the three remaining providers, WPS had not recovered a total of \$148,605 in overpayments that were subject to recovery. WPS had not recovered \$96,410 of this total because the CMS termination notice specified an incorrect effective termination date. WPS had not recovered the remaining \$52,195 because it did not follow its procedures to retroactively identify payments for posttermination services. WPS confirmed that the overpayments were subject to recovery.

## **RECOMMENDATIONS**

We recommend that WPS:

- recover \$148,605 in overpayments to the three terminated providers and
- follow its procedures to retroactively identify and recover overpayments for services furnished on or after the providers' effective termination dates.

## **WISCONSIN PHYSICIANS SERVICE INSURANCE CORPORATION COMMENTS**

In written comments to our draft report, WPS stated that it has recovered the overpayments and will follow its procedures to identify payments for services after the date of termination and establish overpayments for any payments identified. WPS's comments are included in their entirety as the Appendix.

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## **INTRODUCTION**

### **BACKGROUND**

#### **Medicare Program**

Pursuant to Title XVIII of the Social Security Act (the Act), the Medicare program provides health insurance for people aged 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services (CMS), which administers the program, uses Medicare contractors, such as fiscal intermediaries (FI), to process and pay Medicare claims submitted by health care providers. Section 911 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173, which became effective on October 1, 2005, amended certain sections of the Act to require that Medicare administrative contractors (MAC) replace FIs and carriers by October 2011.

#### **Medicare Payment Requirements**

Medicare contractors, such as FIs and MACs, must comply with Medicare laws, regulations, and guidance, including provisions for processing payments to terminated Medicare providers. Section 1866(b) of the Act provides for the termination of provider agreements, which set forth the terms and conditions for participation in the Medicare program. Sections 1814(a) and 1866 of the Act generally do not allow payment for services provided on or after an agreement's termination date. The *Medicare Financial Management Manual*, Pub. No. 100-06, chapter 7, requires Medicare contractors to maintain internal controls to prevent erroneous payments; chapter 3 requires Medicare contractors to pursue recovery of overpayments, including those made to terminated Medicare providers.

#### **Wisconsin Physicians Service Insurance Corporation**

Mutual of Omaha Insurance Company (Mutual of Omaha) was an FI during our audit period (January 1, 2003, through January 31, 2007). However, this report refers to the auditee as Wisconsin Physicians Service Insurance Corporation (WPS) because in November 2007, WPS assumed the FI business operations of Mutual of Omaha. CMS had previously awarded WPS a MAC contract for the administration of Medicare Part A and Part B claims.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

#### **Objective**

Our objective was to determine whether WPS recovered Medicare overpayments for services furnished on or after the effective termination dates of provider agreements.

#### **Scope**

We reviewed WPS payments to 430 providers with effective termination dates between January 1, 2003, and January 31, 2007. The reviewed payments were for services furnished on

or after the providers' effective termination dates. We limited our review of internal controls to discussing with WPS officials the procedures used to retroactively identify and recover the overpayments identified during our review.

Our fieldwork included contacting WPS in Omaha, Nebraska.

## **Methodology**

To accomplish our objective, we:

- used a CMS nationwide list of providers with effective termination dates during the audit period to query the National Claims History files;
- identified 430 WPS-serviced providers that received Medicare payments for services furnished during or after our audit period;
- analyzed CMS, National Claims History, and WPS data and identified three providers that each received \$5,000 or more in overpayments for services furnished on or after the providers' effective termination dates; and
- worked with WPS to quantify the overpayments that were subject to recovery as of the start of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

## **FINDING AND RECOMMENDATIONS**

WPS did not always recover Medicare overpayments for services furnished on or after the effective termination dates of provider agreements. For 427 of the 430 terminated providers whose payments we reviewed, WPS had not made material overpayments that were subject to recovery as of the start of our audit. However, for the three remaining providers, WPS had not recovered a total of \$148,605 in overpayments that were subject to recovery. WPS had not recovered \$96,410 of this total because the CMS termination notice specified an incorrect effective termination date. WPS had not recovered the remaining \$52,195 because it did not follow its procedures to retroactively identify payments for posttermination services. WPS confirmed that the overpayments were subject to recovery.

## **FEDERAL REQUIREMENTS**

Section 1814(a) of the Act provides that "payment for services furnished an individual may be made only to providers of services which are eligible therefore under section 1866 [which sets forth the requirements for provider agreements] . . . ." Pursuant to section 1866(b)(2) of the Act

and 42 CFR §§ 489.53 and 489.54, CMS or the Office of Inspector General may terminate a provider agreement for cause. Additionally, section 1866(b)(1) of the Act and 42 CFR § 489.52 permit a Medicare provider to voluntarily terminate its provider agreement. Except in certain limited circumstances considered during this audit, such as those described in 42 CFR § 489.55, no Medicare payment is available for services furnished to a beneficiary on or after the effective date of termination of a provider agreement.

The *Medicare Financial Management Manual*, Pub. No. 100-06, chapter 7, requires Medicare contractors to maintain internal controls to prevent and detect erroneous payments; chapter 3 requires Medicare contractors to pursue recovery of overpayments.

**OVERPAYMENTS NOT RECOVERED**

As of the start of our audit, WPS had not recovered overpayments to three providers for services furnished on or after the providers’ effective termination dates. The table below shows the number of unallowable claims and the overpayment amount for each provider. WPS confirmed that these overpayments were subject to recovery.

**Unallowable Claims and Overpayments**

	<b>Unallowable Claims</b>	<b>Overpayments</b>
Provider A	36	\$96,410
Provider B	782	35,560
Provider C	375	16,635
<b>Total</b>	<b>1,193</b>	<b>\$148,605</b>

WPS did not recover the overpayments to provider A before our audit because the CMS termination notice specified an incorrect effective termination date; as a result of our audit, CMS issued a corrected termination notice. WPS did not recover the overpayments to providers B and C before our audit because it did not follow its procedures to retroactively identify the payments.

**RECOMMENDATIONS**

We recommend that WPS:

- recover \$148,605 in overpayments to the three terminated providers and
- follow its procedures to retroactively identify and recover overpayments for services furnished on or after the providers’ effective termination dates.

## **WISCONSIN PHYSICIANS SERVICE INSURANCE CORPORATION COMMENTS**

In written comments to our draft report, WPS stated that it has recovered the overpayments and will follow its procedures to identify payments for services after the date of termination and establish overpayments for any payments identified. WPS's comments are included in their entirety as the Appendix.

# **APPENDIX**

**APPENDIX: WISCONSIN PHYSICIANS SERVICE  
INSURANCE CORPORATION COMMENTS**



**Medicare**

March 10, 2010

Mr. Stephan Slamar  
Acting Regional Inspector General Audit Services  
Office of Audit Services, Region V  
233 North Michigan Avenue, Suite 1360  
Chicago, IL 60601

RE: Office of Inspector General (OIG) Draft Report – A-05-09-00075

Dear Mr. Slamar,

This letter is in response to the OIG draft report titled “Review of Wisconsin Physicians Service Insurance Corporation Medicare Payments to Providers Terminated Between January 1, 2003, and January 31, 2007.”

OIG reviewed 430 terminated providers and determined WPS had not made material overpayments that were subject to recovery on 427 providers. An overpayment in the amount of \$148,605 was identified regarding the remaining three providers. The draft OIG report indicates “WPS had not recovered \$96,410 of this total because the CMS termination notice specified an incorrect effective termination date.”

OIG Recommendations to WPS:

- Recover \$148,605 in overpayments to the three terminated providers and
- Follow its procedures to retroactively identify and recover overpayments for services furnished on or after the providers' effective termination dates.

WPS recovered the associated overpayments for the three providers. WPS will follow our procedures to identify payments for services after the date of termination and establish overpayments for any payments identified.

If you have any questions or need additional information, please contact me at 402-351-6915.

Sincerely,

Mark DeFoil  
Director, Contract Coordination

cc: John Phelps, CMS  
Lisa Goschen, CMS  
David Markulin, OIG



Wisconsin Physicians Service Insurance Corporation serving as a CMS Medicare Contractor  
P.O. Box 1787 • Madison, WI 53701 • Phone 608-221-4711