



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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

July 1, 2010

Report Number: A-05-09-00077

Ms. Sherrie LeMier  
President and Chief Operating Officer  
Cahaba Government Benefit Administrators, LLC  
300 Corporate Parkway  
Birmingham, AL 35242

Dear Ms. LeMier:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Cahaba Government Benefit Administrators, LLC, 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-05-09-00077 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 and Medicaid Services  
601 East 12<sup>th</sup> Street, Room 235  
Kansas City, MO 64106

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF CAHABA  
GOVERNMENT BENEFIT  
ADMINISTRATORS, LLC,  
MEDICARE PAYMENTS TO  
PROVIDERS TERMINATED  
BETWEEN JANUARY 1, 2003,  
AND JANUARY 31, 2007**



Daniel R. Levinson  
Inspector General

July 2010  
A-05-09-00077

# *Office of Inspector General*

<http://oig.hhs.gov>

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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 & 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 the following operating components:

## *Office of Audit Services*

The Office of Audit Services (OAS) provides 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. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

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.

Cahaba Government Benefit Administrators, LLC (Cahaba), was an FI during our audit period (January 1, 2003, through January 31, 2007). CMS subsequently awarded a MAC contract to Cahaba for the administration of Medicare Part A and Part B claims.

### **OBJECTIVE**

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

### **SUMMARY OF FINDING**

We did not identify material Cahaba overpayments that were subject to recovery as of the start of our audit for 388 of the 389 terminated providers whose payments we reviewed. However, for the one remaining provider, Cahaba did not recover \$5,355 in overpayments because it was unaware that the payments were unallowable. Cahaba confirmed that the overpayments were subject to recovery.

### **RECOMMENDATION**

We recommend that Cahaba recover \$5,355 in overpayments to one terminated provider.

## **CAHABA GOVERNMENT BENEFIT ADMINISTRATORS, LLC, COMMENTS**

In written comments to our draft report, Cahaba stated that it agreed with our recommendation and has recovered the overpayments. Cahaba'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.

#### **Cahaba Government Benefit Administrators, LLC**

Cahaba Government Benefit Administrators, LLC (Cahaba), was an FI during our audit period (January 1, 2003, through January 31, 2007). CMS subsequently awarded a MAC contract to Cahaba for the administration of Medicare Part A and Part B claims.

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

#### **Objective**

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

#### **Scope**

We reviewed Cahaba payments to 389 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 Cahaba officials the procedures used to retroactively identify and recover the overpayments identified during our review.

Our fieldwork included contacting Cahaba in Birmingham, Alabama.

## **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 389 Cahaba-serviced providers that received Medicare payments for services furnished during or after our audit period;
- analyzed CMS, National Claims History, and Cahaba data and identified one provider that received \$5,000 or more in overpayments for services furnished on or after the provider's effective termination date; and
- worked with Cahaba 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 RECOMMENDATION**

We did not identify material Cahaba overpayments that were subject to recovery as of the start of our audit for 388 of the 389 terminated providers whose payments we reviewed. However, for the one remaining provider, Cahaba did not recover \$5,355 in overpayments because it was unaware that the payments were unallowable. Cahaba 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 therefor 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, Cahaba had not recovered \$5,355 in Medicare overpayments to one provider for services furnished on or after the provider's effective termination date. Cahaba officials indicated that the overpayments were not recovered because the CMS claims payment system and Cahaba personnel did not recognize the payments as unallowable. By December 2008, updates had been made to prevent future unallowable payments of the type that were identified for this provider. Cahaba confirmed that the overpayments were subject to recovery.

### **RECOMMENDATION**

We recommend that Cahaba recover \$5,355 in overpayments to one terminated provider.

### **CAHABA GOVERNMENT BENEFIT ADMINISTRATORS, LLC, COMMENTS**

In written comments to our draft report, Cahaba stated that it agreed with our recommendation and has recovered the overpayments. Cahaba's comments are included in their entirety as the Appendix.

# **APPENDIX**

**APPENDIX: CAHABA GOVERNMENT BENEFIT  
ADMINISTRATORS, LLC, COMMENTS**



Sherrie D. LeMier  
President and Chief Operating Officer  
Cahaba Government Benefit Administrators®, LLC

June 11, 2010

Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services, Region V  
Attention: James C. Cox  
Regional Inspector General for Audit Services  
233 North Michigan Avenue  
Suite 1360  
Chicago, IL 60601

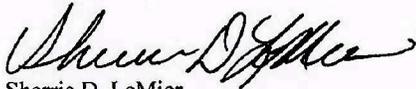
RE: Report Number: A-05-09-00077 Review of Cahaba Government Benefit Administrators®, LLC Medicare Payments to Providers Terminated Between January 1, 2003 and January 31, 2007.

Dear Mr. Cox,

We are in receipt of the captioned draft report. We agree with the report and recommendations. We issued a demand letter for \$5,355.12 to the provider noted in the report for the 318 unallowable post-termination claims and received a check from the provider for the full amount on July 14, 2009.

If you should have any questions regarding this report, please contact Molly Echols, Manager Risk and Compliance at (205) 220-1587 or via email at [Mechols@cahabagba.com](mailto:Mechols@cahabagba.com).

Sincerely,

  
Sherrie D. LeMier

CC: Brandon Ward, Vice President, Cahaba GBA Operations  
David Brown, Director, Cahaba GBA Administration  
Jim Hill, A/B Claims Operation Divisional Manager  
Fred Schlich, Manager of Cahaba GBA Contracts/Subcontracts