

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MUTUAL OF OMAHA'S
INTERNAL CONTROLS TO PREVENT
PIP PROVIDERS FROM RECEIVING
DUAL PAYMENTS**



**JANET REHNQUIST
INSPECTOR GENERAL**

**OCTOBER 2001
A-07-01-02621**

Office of Inspector General

<http://www.hhs.gov/oig/>

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

CIN: A-07-01-02621
October 31, 2001

Mr. Richard Reeves
Vice President and Director of Mutual Medicare
Mutual of Omaha
Audit & Reimbursement
P.O. Box 1604
Omaha, Nebraska 68101

Dear Mr. Reeves:

This report provides the results of our review of Mutual of Omaha's (Mutual's) internal controls to detect dual payments to providers reimbursed under the Periodic Interim Payment (PIP) reimbursement method.

The objective of our review was to determine whether Mutual had adequate controls to ensure PIP providers had not received dual payments. Dual payments occur when a provider receives PIP and claims payments from the Medicare program for the same services, resulting in an overpayment to the provider.

We found that the quarterly procedures to detect dual payments were adequate. However, we did not always find evidence that Mutual's auditors had performed the dual payment detection procedure. In our draft we recommended that Mutual follow their procedures to detect dual payments and complete the dual payment verification worksheet for all cost report settlements of PIP providers. In response to our draft report, Mutual acknowledges that the cost report settlement files did not consistently contain documentation which verified that the dual payment detection procedure was performed. The dual payment verification worksheet has been added to Mutual's tentative settlement worksheet templates. Additionally, Mutual has incorporated the dual payment verification worksheet into the standardized interim payment worksheets. Mutual's response is attached to this report as the Appendix.

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. The second method, 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.

However, the contractors must ensure that adequate controls are in place to detect and prevent any dual payments to the providers. Mutual in August of 1998 initiated quarterly review procedures for the detection of dual payments. The quarterly review consisted of a comparison of all providers that had requested the PIP payment method with their respective payment codes. If any providers identified as PIP payment method recipients had a claim payment code instead of a PIP payment code, further review was required to determine if dual payments had been made. If dual payments were made, Mutual initiated recovery action.

Mutual implemented new cost report settlement procedures, in August of 1999 for the detection of dual payments to PIP providers. The new procedure required Mutual's auditors to determine whether the net reimbursement, and calculated reimbursement PIP claims, were equal using the Provider Statistical and Reimbursement (PS&R) reports. If so, the provider did not receive claims payment. If these amounts were not equal, further review was required. Additionally, the results were documented through a dual payment verification worksheet as part of the cost report settlement file.

SCOPE

The objective of our review was to determine whether Mutual had adequate controls to determine whether providers had received dual payments. We reviewed prior findings by Centers for Medicare and Medicaid Services (CMS) and external auditors which reported weaknesses in Mutual's controls for the detection of dual payments prior to August 1999. We performed a review of the procedures to detect dual payments for the quarter ended September 30, 2000.

We reviewed a judgmental sample of 45 cost reports from a universe of 710, settled after the implementation of the cost report settlement procedure, to determine the adequacy of this new procedure. For the sampled cost reports, we reviewed the cost report settlement worksheet, the dual payment verification worksheet, and the PS&R report to determine whether dual payments were detected, and adjusted in the final cost report settlements. If dual payments were present, but not detected, this represented a Medicare overpayment.

FINDINGS

We found that the quarterly procedures to detect dual payments were adequate. For the quarter ended September 30, 2000, Mutual did not detect any PIP providers receiving dual payments. Mutual reviewed the payment code for all PIP providers.

Our review of the 45 sampled cost report settlements did not disclose any dual payments to the providers. However, we did not always find evidence that Mutual's auditors had performed the dual payment detection procedure. Ten of the forty-five sampled cost report settlements did not contain the dual payment verification worksheet. Since this worksheet was not completed for these cost report settlements, there was no assurance that Mutual would have detected dual payment situations.

Recommendation

We recommend that Mutual follow their procedures to detect dual payments and complete the dual payment verification worksheet for all cost report settlements of PIP providers.

Mutual's Comments

Mutual acknowledges that the cost report settlement files did not consistently contain documentation which verified that the dual payment detection procedure was performed. The dual payment verification worksheet has been added to Mutual's tentative settlement worksheet templates. Additionally, Mutual has incorporated the dual payment verification worksheet into the standardized interim payment worksheets.

OIG's Response

We commend Mutual for its corrective actions. Mutual should ensure that supervisory review of cost report settlements includes an assurance that the dual payment verification worksheet has been completed.

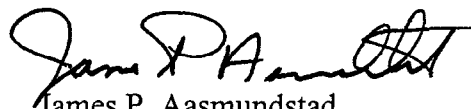
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Final determination as to actions taken on all matters reported will be made by the Department of Health & Human Services (HHS) action official identified below. We request that you respond to the HHS action official within 30 days of this report. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, 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 the exemptions in the Act which the Department chooses to exercise (see 45 CFR part 5).

To facilitate identification, please refer to Common Identification Number A-07-01-02621 in all correspondence relating to this report.

Sincerely,



James P. Aasmundstad
Regional Inspector General for
Audit Services, Region VII



MEDICARE
Part A Intermediary
Phone 402-351-5381

October 23, 2001

Mr. James P. Aasmundstad
Office of Inspector General
Office of Audit Services
601 East 12th Street, Room 284A
Kansas City, Missouri 64106

Re: Dual Payment Review
Common Identification Number A-07-01-02621

Dear Mr. Aasmundstad:

The Office of Inspector General (OIG) issued a draft report, summarizing the results of a review of Mutual of Omaha's internal controls for the detection of dual payments potentially issued to providers. The draft report was dated September 21, 2001.

Attached is Mutual of Omaha's response to the findings and recommendations. Included with the response is a description of Mutual of Omaha's corrective action that has been implemented.

Contact Bill Lange at 402-351-5386 or me at 402-351-5377, if you have questions or comments.

Sincerely,

A handwritten signature in cursive script that reads "Shelly Foxworthy".

Shelly Foxworthy
First Vice President
Medicare Audit and Reimbursement
Mutual of Omaha

Cc. Phillip Chiarelli, CMS, KCRO
Karen Miller, CMS, KCRO
Gary Umscheid, CMS, KCRO



Mutual of Omaha Insurance Company • Medicare Area • P.O. Box 1604, Omaha, NE 68101 • A HCFA CONTRACTED INTERMEDIARY

Findings

We found that the quarterly procedures to detect dual payments were adequate. For the quarter ended September 30, 2000, Mutual did not detect any PIP providers receiving dual payments. Mutual reviewed the payment code for all PIP providers.

Our review of 45 sampled cost report settlements did not disclose any dual payments to the providers. However, we did not always find evidence that Mutual's auditors had performed the dual payment detection procedure. 10 of the 45 sampled cost report settlements did not contain the dual payment verification worksheet. Since this worksheet was not completed for these cost report settlements, there was no assurance that Mutual would have detected dual payment situations.

Recommendation

We recommend that Mutual follow their procedures to detect dual payments and complete the dual payment verification worksheet for all cost report settlements of PIP providers.

Contractor Response

Mutual of Omaha has conducted quarterly procedures for detecting dual payment situations since September 30, 1998. The quarterly procedures require verification of the payment code of each PIP provider. The verification process provides reasonable assurance PIP providers are not receiving Part A claim payments in addition to PIP payments.

Mutual of Omaha acknowledges the tested files, pertaining to cost report settlements, issued on or before September 30, 2000, did not consistently contain appropriate documentation of the dual payment verification procedure. The dual payment detection procedures should be conducted every time a review of a provider's interim payments is completed. The dual payment worksheet used to perform the review steps, should be maintained in the files.

Corrective Action

Mutual of Omaha requested the system maintainers of the Arkansas Part A Standard System (APASS) to implement an edit to the system that prevents dual payments to providers. On July 17, 2000, Mutual of Omaha received the APASS release that contained the edit. On July 26, 2000, the edit was tested. The testing revealed that the edit successfully prevents PIP payments from being issued to providers that have a Part A claim payment code, on the payment screen in APASS.

On February 21, 2001, the dual payment worksheet was added to Mutual of Omaha's tentative settlement worksheet templates, to help ensure the dual payment verification procedures are performed at the time of each tentative settlement.

On March 4, 2001, Procedure and Technical Memorandum, Number 0121, "Determining Part A Interim Payments for all Provider Types," was revised and reissued. The revised procedures require the use of standardized worksheets for computing interim payments, at the time of interim rate reviews, tentative settlements, and final settlements. The dual payment worksheet has been incorporated in the standardized interim payment worksheets.