

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF MUTUAL OF OMAHA'S  
SETTLEMENT PROCEDURES FOR  
PROVIDER-BASED HOME HEALTH  
AGENCIES**



**JANET REHNQUIST  
INSPECTOR GENERAL**

**JANUARY 2002  
A-07-01-02630**



Refer to:

Region VII  
Federal Office Building  
601 East 12th Street  
Kansas City, Missouri 64106-2898

Date : JAN 8 2002  
James P. Aasmundstad

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

Subject: Review of Mutual of Omaha's Settlement Procedures for Provider-Based Home Health Agencies (CIN: A-07-01-02630)

To : Joe L. Tilghman  
Regional Administrator  
Centers for Medicare and Medicaid Operations

This report provides the results of our review of Mutual of Omaha's (Mutual's) settlement procedures for provider-based home health agencies (HHAs). The objective of our review was to determine whether Mutual had adequate controls to settle HHA cost reports.

We found that Mutual did not always settle HHA cost reports using reliable Provider Statistical and Reimbursement (PS&R) data. Consequently, Mutual overpaid two HHA providers a total of \$179,018 (Appendix A) because Mutual used incorrect PS&R data. Additionally, Mutual found that periodic interim payments (PIP) were incorrectly determined at final settlement. Mutual revised PIP for the two providers, which increased the total overpayment to \$316,949.

The overpayments resulted from settling the cost reports based on the providers' submitted data which overstated Medicare HHA services. We believe overpayments could be substantially more since Mutual has about 700 HHA cost reports which can be reopened.

According to CMS, Mutual has reopened the two cost reports identified in our review, and recovered the overpayments. Mutual also informed us they had begun a project in December 2000 to identify all missing PS&R data for its HHA providers.

Initially, Mutual determined its provider-based HHA universe, which consisted of 473 providers. As of September, 2001, Mutual determined it was missing claims data for 158 providers. Mutual plans to request PS&R data from the applicable RHHIs for these providers for the four latest cost reporting periods ending on or before July, 2000. Then, Mutual will perform testing to determine whether cost report re-openings are warranted for the 158 providers.

We are recommending that the Centers for Medicare and Medicaid Operations (CMS) monitor Mutual's collection of overpayments for the two providers identified in our review, and direct Mutual to implement procedures to ensure that future cost report settlements include the use of reliable PS&R data. We also recommend that CMS provide us the results of Mutual's testing to determine whether cost report re-openings are warranted. In its response to our draft report on January 3, 2002, CMS concurred with our audit findings. CMS is working with Mutual to resolve the issues surrounding the accuracy of PS&R data. Additionally, CMS will determine whether additional cost report re-openings are warranted. The CMS response in its entirety is in Appendix B.

## **BACKGROUND**

A provider-based HHA has a parent provider, usually a hospital. In 1988, CMS required the reassignment of provider-based HHAs to Regional Home Health Intermediaries (RHHIs), and established a split in functional responsibilities between the RHHI and the Audit Intermediary (AI). The RHHI is responsible for processing the provider claims, and maintaining PS&R data on computer tape which provides a history of claims approved and denied. The services for which claims may be approved are: (1) skilled nursing; (2) physical therapy; (3) occupational therapy; (4) speech therapy; (5) medical social service; and, (6) home health aide service.

The AI is responsible for setting interim rates, conducting audits, and settlement of provider cost reports. Since the settlement process requires the comparison of allowable reimbursement to actual reimbursement, the AI needs reliable PS&R data.

The Medicare Intermediary Manual, Section 2402.4, sets forth the following AI responsibilities:

- Process the tape from the RHHI into the PS&R system in order to set interim rates, conduct audits and settle cost reports;
- Develop the PS&R on providers from data submitted by the RHHIs;
- Generate data for the accrual period from the PS&R for purposes of final cost report settlement;
- Send the PS&R to providers;
- Reconcile differences in the amounts paid to providers from the PS&R as stated in the cost report during audit, if applicable; and
- Reconcile the PS&R with providers on issues related to payment amounts the AI determines for providers.

The HHAs were reimbursed based on their allowable costs. To determine allowable Medicare costs, total allowable costs were first allocated to each type of patient service. Then, total costs for each service were divided by total visits to determine the average cost per visit. This rate was multiplied by HHA Medicare visits to determine allowable Medicare costs. The AI must verify Medicare visits from reliable PS&R data, or by an audit of the provider's records.

## **SCOPE**

The objective of our review was to determine whether Mutual had adequate controls to settle HHA cost reports. Under separate cover, we have reported our findings for CIN: A-07-01-02621 *Review of Mutual of Omaha's Internal Controls to Detect Dual Payments to Providers Receiving Periodic Interim Payments*. During that review, we found that Mutual had settled cost reports with inadequate PS&R data. Consequently, we initiated a separate review of Mutual's controls to settle provider-based HHA cost reports.

We reviewed a judgmental sample of six Periodic Interim Payment (PIP) provider-based HHA providers cost reports. Four of these cost reports had been selected as part of a judgmental sample for CIN: A-07-01-02621, and another two cost reports were selected solely for this review. The cost reporting periods reviewed were fiscal years 1997 and 1998. We reviewed the cost report settlement files and the supporting working paper files. We obtained PS&R summary data from the RHHI. We compared the Medicare HHA visits according to PS&R summary data to the Medicare HHA visits according to the settled cost reports. Mutual provided us with revised cost reports based on the PS&R data obtained from the RHHI. We determined the dollar effect of using PS&R data provided by the RHHI. We did not request supporting documentation from the provider for the Medicare HHA visits shown in the submitted cost reports.

## **FINDINGS AND RECOMMENDATION**

For two of the six providers we reviewed, we found that Mutual had not reconciled differences in HHA Medicare visits as shown in the PS&R, to amounts stated by the provider in their cost reports. Mutual settled the cost reports based on the as filed cost reports. We obtained PS&R data from the RHHI which indicated the provider overstated HHA Medicare visits. Based on the PS&R data, these providers were overpaid \$179,018. Additionally, Mutual found that periodic interim payments (PIP) were incorrectly determined at final settlement. Mutual revised PIP for the two providers, which increased the total overpayment to \$316,949.

According to CMS, Mutual has reopened the two cost reports identified in our review, and recovered the overpayments. Mutual officials stated that, frequently, accurate PS&R data is not available for provider-based HHAs. The two primary reasons cited by Mutual were (i) the provider had a change in ownership and claims were processed under a

modified provider number unknown to Mutual, and (ii) the provider had changed from another AI to Mutual, but the RHHI was not providing PS&R data to Mutual.

Mutual informed us they had begun a project in December 2000 to identify all the provider-based HHAs for which they were missing PS&R data for cost reporting periods beginning on, or after, October 1, 1997. Mutual determined that 158 HHA providers, out of a total of 473, had missing data from one or more months. For many providers, Mutual is missing data for more than one cost reporting period. Mutual plans to request the missing PS&R data from the RHHIs for the four latest cost reporting periods ending on or before July, 2000. Then, Mutual will perform testing to determine whether cost report re-openings are warranted for the 158 providers.

### **Recommendations**

We recommend that CMS:

1. Monitor Mutual's collection of overpayments for the two providers identified in our review.
2. Direct Mutual to implement procedures to ensure that future cost report settlements are based on reliable PS&R data.
3. Provide us the results of Mutual's testing to determine whether additional cost report re-openings are warranted.

### **CMS' COMMENTS**

CMS concurred with the three recommendations. For the two providers identified in our review, Mutual updated the PS&R data for Medicare HHA visits. Mutual also updated the amount reported for PIP. As a result, Mutual revised the total Medicare overpayment to \$319,949, which has been recovered from the providers.

### **OIG'S RESPONSE**

We commend CMS for its corrective actions. We ask that CMS apprise us whether additional cost report re-openings resulted from our review.

\* \* \* \* \*

Page 5 - Joe L. Tilghman

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 are made available to the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5). As such, within ten business days after the final report is issued, it will be posted on the world wide web at <http://oig.hhs.gov/>.

To facilitate identification, please refer to Common Identification Number A-07-01-02630 in all correspondence relating to this report.

KAISER FOUNDATION HOSPITALS  
SANTA CLARA HHA  
55-7066  
JANUARY 1, 1997 THROUGH DECEMBER 31, 1997

| Type of Service          | Total Visits Per<br>As Submitted Cost<br>Report/Settled<br>Cost Report | Medicare Visits Per<br>As Submitted Cost<br>Report/Settled<br>Cost Report | Medicare Visits<br>Per PS&R<br>From RHHI | Difference   | Reimbursement<br>Rate | Medicare<br>Overpayment |
|--------------------------|--|---|--|--------------|-----------------------|-------------------------|
| Skilled Nursing          | 41,436   | 8,762   | 8,024                                    | 738          | \$130.59              | \$96,375                |
| Physical Therapy         | 6,373  | 1,449   | 1,237                                    | 212          | \$148.29              | \$31,437                |
| Occupational Therapy     | 1,560  | 289   | 315                                      | (26)         | \$182.83              | (\$4,754)               |
| Speech Pathology         | 345  | 43  | 42                                       | 1            | \$113.61              | \$114                   |
| Medical Social Services  | 1,275  | 303   | 236                                      | 67           | \$226.92              | \$15,204                |
| Home Health Aide Service | 6,482  | 2,016   | 1,807                                    | 209          | \$97.50               | \$20,378                |
| <b>TOTALS</b>            | <b>57,471</b>  | <b>12,862</b>   | <b>11,661</b>                            | <b>1,201</b> | <b>N/A</b>            | <b>\$158,754</b>        |

KAISER FOUNDATION HOSPITALS  
SOUTH SACRAMENTO HHA  
05-7726  
JANUARY 1, 1997 THROUGH DECEMBER 31, 1997

| Type of Service          | Total Visits Per<br>As Submitted Cost<br>Report/Settled<br>Cost Report | Medicare Visits Per<br>As Submitted Cost<br>Report/Settled<br>Cost Report | Medicare Visits<br>Per PS&R<br>From RHHI | Difference | Reimbursement<br>Rate | Medicare<br>Overpayment |
|--------------------------|--|---|--|------------|-----------------------|-------------------------|
| Skilled Nursing          | 15,539   | 1,908   | 1,767                                    | 141        | \$138.36              | \$19,509                |
| Physical Therapy         | 2,398  | 333   | 332                                      | 1          | \$105.70              | \$106                   |
| Occupational Therapy     | 419  | 62  | 62                                       | 0          | \$5.28                | \$0                     |
| Speech Pathology         | 204  | 6   | 7  | -1         | \$1.45                | (\$1)                   |
| Medical Social Services  | 306  | 33  | 32                                       | 1          | \$356.26              | \$356                   |
| Home Health Aide Service | 4,347  | 540   | 533                                      | 7          | \$42.09               | \$295                   |
| <b>TOTALS</b>            | <b>23,213</b>  | <b>2,882</b>  | <b>2,733</b>                             | <b>149</b> | <b>N/A</b>            | <b>\$20,264</b>         |



Refer to:  
DHPP:JDF  
5.273

Region VII  
Federal Office Building  
601 East 12th Street  
Kansas City, Missouri 64108-2898

Date : January 3, 2002

From : Joe L. Tilghman, Regional Administrator,  
Centers for Medicare & Medicaid Services, Kansas City Regional Office

Subject: Office of Inspector General (OIG) Draft Report: *REVIEW OF MUTUAL OF OMAHA'S SETTLEMENT PROCEDURES FOR PROVIDER-BASED HOME HEALTH AGENCIES* (October 2001 Common Identification Number (CIN): A-07-01-02630)

To :

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

Thank you for the opportunity to review the above-referenced OIG draft report concerning Mutual of Omaha's (Mutual) settlement of provider-based Home Health Agencies (HHA). The OIG found that Mutual did not always settle the HHA section of the Hospital and Hospital Health Care Complex Cost Report using reliable Medicare data. Specifically, the OIG determined that Mutual did not always have up-to-date Provider Statistical Reimbursement (PS&R) data. The Centers for Medicare & Medicaid Services (CMS) is concerned about these findings. We are discussing your findings with both our central office and Mutual. We are taking steps to ensure that Mutual has the most accurate data available when making its settlement determinations of provider-based HHAs.

OIG recommends that CMS do the following:

OIG Recommendation 1:

CMS should monitor Mutual's collection of overpayments for the two providers OIG identified during its review.

CMS Response 1:

Mutual collected the overpayments on December 19, 2001. Mutual updated the PS&R data for Medicare HHA visits and the original amount reported for periodic interim payments (PIP). The revised PIP amounts increased the overpayment determinations for the providers to \$42,619 and \$274,330 respectively. The overpayment noted in your report was \$20,264 and \$158,754 respectively. This

*The Health Care Financing Administration (HCFA) was renamed to the Centers for Medicare & Medicaid Services (CMS).  
We are exercising fiscal restraint by exhausting our stock of stationery.*

Page 2 - James P. Aasmundstad

resulted in an additional recovery of \$137,931, above the original determination. Some confusion exists between PIP determinations made by Aetna, the outgoing fiscal intermediary, and Mutual, the incoming fiscal intermediary. Mutual is re-reviewing its PIP amount determination for both HHA's and will report the results of its final determination. We will forward Mutual's findings to the OIG.

OIG Recommendation 2:

CMS should direct Mutual to implement procedures to ensure that future cost report settlements are based on reliable PS&R data.

CMS Response 2:

We concur. CMS is working with Mutual in determining the best manner to resolve the issues surrounding the accuracy of PS&R data it receives.

OIG Recommendation 3:

CMS should provide OIG with the results of Mutual's testing to determine whether additional cost report re-openings are warranted.

CMS Response 3:

We concur. CMS will determine the appropriate action and report the action taken and results to the OIG.

*Namette Foster Reilly for*  
Joe L. Tilghman