

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MEDICARE CREDIT BALANCES IN
SKILLED NURSING FACILITY PATIENT
ACCOUNTS**



**Richard P. Kusserow
INSPECTOR GENERAL**

JULY 1992

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OEI-07-90-00910

EXECUTIVE SUMMARY

PURPOSE

The purpose of this national inspection is to determine the dollar amount of Medicare credit balances that exist at skilled nursing facilities (SNFs), and the time used by SNFs and Medicare intermediaries in reporting and adjusting credit balances.

BACKGROUND

Whenever a Medicare payment is made to a provider (e.g., skilled nursing facility) in excess of the amount of payment that is due, a credit balance is created. The SNFs, as well as the Medicare intermediaries, have a responsibility to resolve these credit balances.

In previous reviews, the OIG has identified significant credit balances in hospitals. A 1985 inspection estimated \$164 million in Medicare credit balances in hospitals nationwide. A more recent audit of 76 hospitals serviced by nine intermediaries found \$266 million in unrecovered hospital credit balance overpayments nationally. As a result of our reviews of hospital credit balances, we decided to determine if similar problems exist in nursing homes.

METHODOLOGY

We selected a random sample of 50 SNFs in two stages. In the first stage, five States were sampled. Subsequently, 10 SNFs were sampled within each State for an on-site examination of patient account records.

We requested the 50 SNFs to provide a listing of all credit balances as of March 31, 1990. We determined the existence of an actual credit balance based upon a review of the patient ledgers and Medicare log maintained at the facility. Our review determined the amount of the credit balance, the date the SNF notified the Medicare intermediary of the existence of the credit balance, and the length of time it took the intermediary to adjust the amount of the credit balance.

We recognize that the Medicare Catastrophic Coverage Act (MCCA) of 1988 was in effect during our sample period. Although the exact impact of the repeal of MCCA of 1988 on our sample cannot be determined, we believe the impact is negligible.

FINDINGS

Projected Medicare Credit Balances are Substantial We estimate nationwide that overdue credit balances in SNFs could be as much as \$12.7 million as of March 31, 1990.

Credit Balances Are Not Reported Timely 2.5 million dollars, when projected nationwide, in Medicare credit balances in SNFs were not reported after 1 year had elapsed (as of March 31, 1990).

Intermediaries Are Not Adjusting Credit Balances Timely Fifty-eight percent of the Medicare credit balances reported to the intermediaries were not adjusted within 60 days of notice by the SNF.

RECOMMENDATIONS

The HCFA Should:

- ▶ Require Intermediaries to Take Action to Adjust Credit Balances;
- ▶ Require Intermediaries to Timely Process Adjustment of Credit Balances;
- ▶ Work With Intermediaries to Increase the Awareness of Program Providers to Timely Identify and Report Credit Balances; and
- ▶ Seek Authority To Penalize Providers which Do Not Timely Report Credit Balances.

AGENCY COMMENTS

The HCFA generally concurred with the recommendations presented in our draft report. As a result of HCFA's comments regarding our last recommendation, we have modified our language to indicate that HCFA should seek authority, rather than legislation, to penalize providers which do not timely report credit balances.

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INTRODUCTION

PURPOSE

The purpose of this national inspection is to determine the dollar amount of Medicare credit balances that exist at skilled nursing facilities (SNFs), and the time used by SNFs and Medicare intermediaries in reporting and adjusting credit balances.

BACKGROUND

The Social Security Act, Section 1814 (a)(2)(B) provides for Medicare payments to eligible SNFs for patients certified by physicians as needing that level of medical care. Whenever such a payment for services is made to a Medicare provider and for various reasons the payment is in excess of the correct payment amount, a credit balance exists and monies are due back to the Medicare program [Social Security Act, Section 1866 (a)(1)(C)].

When credit balances are created, certain responsibilities rest with the SNF and the Medicare intermediary. Even though no formal time frames exist for reporting, the SNF must notify the intermediary of the amount of the credit balance after its identification. Subsequently, the Medicare intermediary must adjust future SNF payments in the amount of the credit balances.

In previous reviews, the OIG has identified significant credit balances in hospitals. A 1985 inspection estimated \$164 million in Medicare credit balances in hospitals nationwide. A more recent audit of 76 hospitals serviced by nine intermediaries found \$266 million in unrecovered hospital credit balance overpayments nationally. As a result of our reviews of hospital credit balances, we decided to determine if similar problems exist in nursing homes.

METHODOLOGY

We selected a random sample of SNFs from the universe of all Medicare-participating SNFs using a modified Rao, Hartly, Cochran method. A two stage cluster sample was selected where States were chosen in the first stage with probability proportionate to size. These States are: California, Florida, Missouri, Pennsylvania, and Wisconsin.

In the second stage, a simple random sample of SNFs within each State was selected. In each State, 10 SNFs were chosen for review. One SNF, however, was out of business at the time our on-site visit was made, making a total of 49 SNFs.

We requested each SNF in the sample to provide the OIG with listings of outstanding Medicare credit balances as of March 31, 1990 for our review. If there were no credit

balances identified by the facility, all patient balances as of March 31, 1990, were examined. We recognize that the Medicare Catastrophic Coverage Act (MCCA) of 1988 was in effect during our sample period. According to a June 1991 OIG Report, "Influences on Medicare's Skilled Nursing Facility Benefit" (#OEI-05-89-01590), increased SNF payments are continuing even after repeal of the MCCA in May 1990. Although the exact impact of the MCCA of 1988 on our sample cannot be determined, we believe the impact is negligible.

We determined the existence of an actual credit balance based upon a review of the patient ledgers and other documentation maintained at the facility. To ensure validity of the credit balances, we requested the facilities to verify the existence of each credit balance and credit balance amount. Our review determined the amount of the credit balance, the date the SNF notified the Medicare intermediary of the existence of the credit balance, and the length of time it took the intermediary to adjust the amount of the credit balance.

We conducted a subsequent review several months later of all the SNFs which had outstanding credit balances at the time of our on-site visits. This follow-up review was performed to verify dollar amounts and the current disposition of the credit balances. We also determined which SNFs had still not reported those credit balances to the appropriate intermediaries.

FINDINGS

Projected Medicare Credit Balances are Substantial

Projecting to the national universe of Medicare SNFs, overdue credit balances of approximately \$12.7 million are due back to Medicare (See Appendix A). As discussed in the next finding, we define a balance as overdue if it was outstanding after 45 days.

Credit Balances Are Not Reported Timely

Based upon information from nursing facility personnel that they reconcile balances monthly and allowing 15 days afterwards to report credit balances, we believe 45 days is a reasonable time frame for reporting credit balances to the intermediaries.

We found that 36 of the 74 credit balances in our sample were reported after 45 days, but before 1 year had elapsed. Of these 36 credit balances, only 3 were reported within 100 days. Half of the 36 were not reported until at least 200 days had elapsed. Only about one-fifth (14 of 74) were reported timely, according to our definition.

We found that 24 of the credit balances due back to the Medicare program had not been reported after 1 year had elapsed. The national projection for these credit balances is \$2.5 million (See Appendix B).

According to provider personnel, no incentive exists for the SNFs to identify and report credit balances. Therefore, the facilities gave little priority to identifying and adjusting credit balances.

As part of our follow-up review, we determined that 79 percent (19 of 24) of the credit balances outstanding at the time of our on-site review were still credit balances over 6 months later.

Intermediaries Are Not Adjusting Credit Balances Timely

The Part A Medicare Intermediary manual (Sect. 2220.3) states that the actual costs of services cannot be determined until the end of the accounting period. This is because providers are paid on an estimated cost basis during the year with a final settlement adjustment based on actual costs being made at the end of the reporting period. Although there are no established time frames or promulgated procedures regarding the period of time which an intermediary must adjust a credit balance, we used 60 days as a reasonable time frame. This is consistent with Medicaid overpayment recovery provisions for State Medicaid agencies.

Using this gauge of timeliness, our review found 58 percent (29 of the 50 Medicare credit balances which were reported) were not adjusted by the intermediaries within 60 days of notice by the SNF (See Appendix C).

RECOMMENDATIONS

The HCFA Should Take Action to Adjust Credit Balances

The HCFA should instruct Medicare intermediaries to adjust actual credit balance amounts identified by this inspection and to adjust credit balances on an ongoing basis. If projected to the universe, overdue credit balances to the Medicare program would be approximately \$12.7 million nationally (See Appendix A).

The HCFA Should Require Intermediaries to Timely Process Adjustment of Credit Balances

The HCFA should require Medicare intermediaries to timely adjust outstanding credit balances. A time frame of 60 days, after notification by the SNF that a credit balance exists, would correlate with Medicaid program overpayment recovery provisions for State agencies (Public Law 99-272, the 1985 Consolidated Omnibus Budget Reconciliation Act Section 9512) to facilitate prompt resolution of credit balances.

Although, in some instances, time frames may need to be extended to verify disputed Medicare claim amounts and to determine actual credit balance status, we recommend that HCFA work with intermediaries to establish 60 days as a goal for the resolution of credit balances.

The HCFA Should Work With Intermediaries To Increase the Awareness of Program Providers to Timely Identify and Report Credit Balances

The HCFA should work with intermediaries to emphasize to providers that credit balances should be reported within a reasonable time. As a result of awareness programs and discussions with intermediaries, the HCFA may choose to develop their own definition of reasonable time.

Efforts to encourage provider awareness could include newsletters, training sessions, or on-site visits and/or reviews that establish a priority emphasis to this provider responsibility. The HCFA might also consider assessing interest on those credit balances not reported within a reasonable time.

The HCFA Should Seek Authority to Penalize Providers which Do Not Timely Report Credit Balances

The HCFA should seek authority that will allow it to impose a penalty on program providers for failing to timely identify and report credit balances.

AGENCY COMMENTS

The HCFA concurred with the recommendations presented in this report. The HCFA agreed with the intent of the last recommendation which stated that HCFA should seek legislation to penalize providers which do not timely report credit balances. As a result of HCFA's comments regarding our last recommendation, we have modified our language to indicate that HCFA should seek authority, rather than legislation, to penalize providers which do not timely report credit balances.

The HCFA believes that it will have the necessary authority to levy penalties once the Office of Management and Budget approves mandatory requirements for reporting credit balances. We agree that these mandatory reporting requirements, which would allow HCFA to suspend all payments to providers if providers do not timely report credit balances, is a sufficient penalty to provide an incentive for timely reporting.

APPENDIX A

ESTIMATED STATE AND NATIONAL CREDIT BALANCES

ST.	No. in sample	No. with Cr. Bal.	Average Per SNF	Tot. Project. Dollars Found
CA	9	2	\$1976.50	\$2,215,656.50
FL	10	5	\$ 208.88	\$ 99,218.00
MO	10	3	\$2503.49	\$ 648,403.91
PA	10	5	\$1948.98	\$1,163,541.06
WI	10	5	\$ 154.42	\$ 31,810.52

MEDICARE NATIONAL ESTIMATE

\$12,733,830

90% Confidence interval (lower)
(upper)

\$ 2,747,720
\$22,719,941

APPENDIX B

CREDIT BALANCES UNTIMELY REPORTED

State	# of Credit Bal's Not Reported within 45 days	\$ Amt. of Credit Bal.s	Avg. Amt. per Credit Bal.
CA	8	\$13,188	\$1,648
FL	6	\$ 1,158	\$ 193
MO	16	\$ 9,461	\$ 591
PA	5	\$11,990	\$2,398
WI	1	\$ 537	\$ 537
Total	36	\$36,334	\$1,009

State	# of Credit Bal's Not Reported after 1 yr. period	\$ Amt. of Credit Bal.s	Avg. Amt. per Credit Bal.
CA	5	\$ 4,601	\$ 920
FL	2	\$ 308	\$ 154
MO	16	\$ 8,232	\$ 515
PA	1	\$ 948	\$ 948
WI	0	\$ 0	\$ 0
Total	24	\$14,089	\$ 587

Medicare National Estimate: **\$2,518,191**
for the 24 credit balances which were not reported until
after one year had elapsed.
90% Confidence interval (lower) \$ 319,778
(upper) \$4,716,603

APPENDIX C

UNTIMELY ADJUSTMENT BY INTERMEDIARIES

<u>ST.</u>	<u># of Credit Balances</u>	<u># of Notices issued</u>	<u># of Adjust. <60 days</u>	<u>\$ Amt. of Adjus <60 days</u>	<u># of Adjust. >60 days</u>	<u>\$ Amt. of Adjus >60 days</u>
CA	13	8	1	\$ 3,612	7	\$ 9,576
FL	12	10	7	\$ 888	3	\$ 892
MO	33	17	10	\$ 6,896	7	\$ 9,906
PA	11	10	3	\$ 6,279	7	\$12,263
WI	5	5	0	0	5	\$ 1,544
TOTAL	74	50	21	\$17,675	29	\$34,181

APPENDIX D

HEALTH CARE FINANCING ADMINISTRATION COMMENTS



Memorandum

Date **APR 1 1992**
From **J. Michael Hudson** *J. Michael Hudson*
Acting Administrator

Subject **OIG Draft Report: "Medicare Credit Balances in Skilled Nursing Facility Patient Accounts," OEI-07-90-00910**

To **Inspector General
Office of the Secretary**

We have reviewed the above-referenced report which summarizes the results of OIG's review of credit balances in patient accounts at skilled nursing facilities (SNF). Based on the review, OIG projects that as much as \$12.7 million could be outstanding in SNF credit balance accounts.

We agree with OIG's recommendations. Our detailed comments on each recommendation are attached. However, we are concerned that the sampling methodology used by OIG has not produced a reliable estimate of total SNF credit balances. We believe a 5 State, 49 facility sample of SNFs does not accurately reflect national SNF credit balances, nor does it capture SNF differences across the States (e.g., number of individuals served). The report assumes all conditions are the same across other States. Therefore, we are requesting that OIG describe the methodology and the actuarial projections used to generalize the findings from sampled SNFs to all SNFs in the State and nationally.

Thank you for the opportunity to comment on this draft report. Please advise us whether you agree with our position on the report's recommendations at your earliest convenience.

Attachment

Comments of the Health Care Financing Administration (HCFA)
on OIG's Draft Report: "Medicare Credit Balances
in Skilled Nursing Facility Patient Accounts"
(OEI-07-90-00910)

OIG Recommendation

HCFA should take action to adjust credit balances.

HCFA Response

We agree. We request OIG to provide HCFA with the documentation for the specific situations identified in the review. We will instruct the intermediaries to recover these funds through the remittance process. Regarding our ongoing efforts, the intermediaries were directed in a memorandum dated September 26, 1991, to control provider adjustment requests and to ensure that necessary action is taken to adjust all reported credit balances.

OIG Recommendation

HCFA should require intermediaries to timely process adjustment of credit balances.

HCFA Response

We agree that adjustment claims should be processed in a timely manner. We are currently working on specifications for an electronic system to receive and process adjustment claims. This system will significantly reduce the amount of time needed to process adjustments. In the meantime, however, we instructed the intermediaries to reduce all pending adjustment claims, regardless of source, to no more than a 2-month workload by March 1, 1992. This instruction was included in the September 26, 1991, memorandum.

OIG Recommendation

HCFA should work with intermediaries to encourage the awareness of program providers to timely identify and report credit balances.

HCFA Response

We agree. In April 1991, we initiated a major effort to recover all credit balances. Each Medicare provider received three letters notifying it of its responsibility to identify and repay Medicare credit balances in a timely manner. We also developed mandatory reporting requirements, which we have submitted for approval under the Paperwork Burden Reduction Act.

OIG Recommendation

HCFA should seek legislation to penalize providers which do not timely report credit balances.

HCFA Response

We believe that the intent of this recommendation can be achieved through application of the mandatory reporting requirements. Once we have received approval of the requirements from the Office of Management and Budget, intermediaries will be able to withhold or suspend program payments when a provider fails to provide the required data.