DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

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

MAR 1 8 2005

Report Number: A-07-04-01011

Kimberly A. Green, Director of Audit Services
Mail Route MN008-W130
9900 Bren Road East
Minnetonka, Minnesota 55343-4402

Dear Ms. Green:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector Generals' report entitled "Review of Medicare Payments for Beneficiaries With Institutional Status at United Healthcare of Ohio." The report covers capitation payments to United Healthcare of Ohio for beneficiaries reported as institutionalized during the period January 2003 through June 2004. A copy of this report will be forwarded to the HHS action official noted on the following page for her review and any action deemed necessary.

The HHS action official will make the final determination as to actions taken on all matters in the report. We request that you respond to the action 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.

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 reports issued to the Department's grantees and contractors are made available publicly to the extent information contained therein is not subjected to exemptions in the Act which the Department chooses to exercise (See 45 CFR Part 5).

If you have any questions or comments about this report, please do not hesitate to call me at 816-426-3591, extension 225, or Chris Bresette, Audit Manager, at 816-426-3591, extension 228, or through e-mail at chris.bresette@oig.hhs.gov. To facilitate identification, please refer to report number A-07-04-01011 in all correspondence.

Sincerely yours,

James P. Aasmundstad
Regional Inspector General
for Audit Services

Enclosures - as stated

Direct Reply to HHS Action Official:

Ms. Jackie Garner
Regional Administrator, Region V
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF MEDICARE PAYMENTS FOR BENEFICIARIES WITH INSTITUTIONAL STATUS AT UNITED HEALTHCARE OF OHIO

MARCH 2005
A-07-04-01011

Office of Inspector General

http://oig.hhs.gov

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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 members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

The Centers for Medicare & Medicaid Services (CMS) makes capitation payments at the beginning of each month to managed care organizations (MCO) for each enrolled Medicare beneficiary. The payment is generally higher for institutionalized beneficiaries. The MCOs receive the enhanced rate for enrollees who are residents of Medicare or Medicaid certified institutions. Each month, MCOs are required to submit a list of enrollees meeting the institutional status requirements to CMS.

For the period January 2003 through June 2004, United Healthcare of Ohio (United) reported 729 beneficiaries as institutionalized for at least 1 month, for which it received payment at an enhanced rate.

OBJECTIVE

Our objective was to determine if capitation payments to United were appropriate for beneficiaries reported as institutionalized for the audit period.

SUMMARY OF FINDINGS

United received Medicare overpayments of $13,128 for 20 beneficiaries incorrectly reported as institutionalized. United officials stated the errors occurred because United made administrative and clerical errors and because the institutions did not always provide correct information to verify the institutionalized status of the beneficiaries.

RECOMMENDATIONS

We recommend that United:

- refund $13,128 to the Federal Government and
- ensure capitation payments for beneficiaries reported as institutionalized are claimed in accordance with Federal laws and regulations.

AUDITEE'S COMMENTS

United agreed with our findings and recommendations. United's comments are included in its entirety as the Appendix.

INTRODUCTION

BACKGROUND

Medicare Managed Care

The Balanced Budget Act of 1997, Public Law 105-33, added sections 1851 through 1859 to the Social Security Act and established the Medicare+Choice Program. Its primary goal was to provide a wider range of health plan choices to Medicare beneficiaries. The options available to beneficiaries under the program include coordinated care plans, medical savings account plans, and private fee-for-service plans. Coordinated care plans, including MCOs, have a network of providers under contract to deliver a health benefit package, which CMS approves. Types of coordinated care organizations include health maintenance organizations, provider sponsored organizations, and preferred provider organizations.

CMS makes capitation payments at the beginning of each month to MCOs for each enrolled Medicare beneficiary. The payments are generally higher for institutionalized beneficiaries. MCOs receive the enhanced rate for enrollees who are residents of Medicare or Medicaid certified institutions (or the distinct part of an institution), intermediate care facilities for the mentally retarded, psychiatric hospitals or units, rehabilitation hospitals or units, long-term care, and swing-bed hospitals. Institutional status requirements contained in CMS's Medicare Managed Care Manual specify that the beneficiary (1) must be a resident of a qualifying facility for at least 30 consecutive days immediately prior to the month for which an institutionalized payment is being made and (2) must not be absent from the institution for more than 14 days due to hospitalization or therapeutic leave.

Each month, MCOs are required to submit a list of enrollees who meet institutionalized status requirements to CMS. The advance payments paid to MCOs each month are adjusted by CMS to reflect the enhanced rate for institutionalized status. For example, during 2004, the monthly advance payment for a 77-year-old woman residing in a non-institutional setting (with no other special status indicator) in Ohio was $596. If the MCO reported the beneficiary as institutionalized, CMS would have adjusted the payment to $1,027[1].

United Healthcare

United began operations as a Medicare MCO in January 1996. For the period January 2003 through June 2004, United reported 729 beneficiaries as institutionalized for at least 1 month, for which it received payment at an enhanced rate.

[1]This calculation does not take into account the risk adjustment method implemented January 1, 2000. This method adjusts the payment according to health status and demographic factors. The inclusion of risk adjustment would not have a material impact on the overpayments.

OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVE

Our objective was to determine if capitation payments to United were appropriate for beneficiaries reported as institutionalized for the audit period.

SCOPE

We reviewed the 729 beneficiaries that United reported as institutionalized and CMS paid at an enhanced rate for at least 1 month between January 2003 and June 2004.

As mentioned in the Background section, MCOs are required to submit a list of enrollees meeting institutionalized status requirements to CMS each month. While we verified existence of internal controls designed by United to ensure the correct classification of beneficiaries, we did not validate if control procedures were followed each month.

METHODOLOGY

To meet our objective, we reviewed applicable Federal criteria and the policies and procedures United used to identify institutionalized beneficiaries.

To determine if payments had been made at an enhanced rate, we started by accessing CMS's Group Health Plan and identified 678 beneficiaries classified as institutionalized during our audit period. Based on data from United's systems and retroactive adjustment letters United submitted to CMS, we included 51 beneficiaries for which the institutionalized status was made retroactively for a total of 729 individuals. We then used the beneficiary history information from the Managed Care Option Information System, as of August and September 2004, to identify the months in which United reported the institutional status to CMS during the audit period.

United provided the names and addresses of the institutions in which the 729 beneficiaries resided. We contacted 21institutions to verify the institutionalized status of 314 beneficiaries for the months that United received the enhanced rate. Because we did not identify material errors for these beneficiaries, we did not contact the remaining institutions for the other 415 beneficiaries.

We reviewed hospital admission and discharge dates obtained from United to determine if any of the 729 beneficiaries were absent for more than the 14-day limit as specified in CMS's Medicare Managed Care Manual.

We then calculated overpayments for each incorrectly reported beneficiary, without regard to the risk adjustment factors (described in footnote number 1), by subtracting the non-institutionalized payment that United should have received from the institutionalized payment actually received.

We performed our fieldwork at United Healthcare in Eau Claire, WI, during August and September 2004. We performed the audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

United received Medicare overpayments of $13,128 for 20 beneficiaries incorrectly reported as institutionalized. United officials stated the errors occurred because United made administrative and clerical errors. United officials also stated that the institutions did not always provide correct information to verify the institutionalized status of the beneficiaries.

INSTITUTIONAL STATUS REQUIREMENTS

CMS's Medicare Managed Care Manual, chapter 7, states that MCOs can classify beneficiaries as institutionalized if the beneficiaries:

1. resided in a Medicare or Medicaid certified institution, or distinct part of the institution, for at least 30 consecutive days immediately prior to the month for which an institutionalized payment is made; and

2. were not absent from the institution for more than 14 days due to hospitalization or therapeutic leave.

BENEFICIARIES INCORRECTLY CLASSIFIED AS INSTITUTIONALIZED

United incorrectly classified 20 beneficiaries as institutionalized:

- 10 of whom did not reside in a certified facility or certified part of the facility for 30 consecutive days immediately prior to the month for which an institutionalized payment was made and

- 10 others were absent due to hospitalization for more than the 14-day limit allowed by CMS during the qualifying month.

United officials stated the errors occurred because United made administrative and clerical errors. United officials also stated that the institutions did not always provide correct information to verify the institutionalized status of the beneficiaries. For example, the institutions provided us with institutional admission and discharge dates that differed from what was originally provided to United.

As a result, United received $13,128 that did not qualify for Medicare enhanced rate.

RECOMMENDATIONS

We recommend that United:

- refund $13,128 to the Federal Government and

- ensure capitation payments for beneficiaries reported as institutionalized are claimed in accordance with Federal laws and regulations.

AUDITEE'S COMMENTS AND OIG RESPONSE

United agreed with our findings and recommendations. We commend United for taking steps to (1) refund the identified overpayments, and (2) revise its policy and procedures to ensure it reports institutionalized beneficiaries pursuant to Federal laws and regulations. United's comments are included in its entirety as the Appendix.

APPENDIX

OVATIONS

A UnitedHealth Group Company

Kimberly Green, Director, Compliance
9900 Bren Road East
Minnetonka, MN 55343
Tel 952 936 3185 Fax 952 936 6902

03/01/05

James P. Aasmundstad
Regional Inspector General for Audit Services
Office of Inspector General-Office of Audit Services
601 East 12th St. Ste. 284A
Kansas City, MO 64106-2872

Re: Report Number A-07-04-01011

Dear Mr. Aasmundstad:

I am responding on behalf of UnitedHealthcare to your letter received 02/04/05 regarding the above referenced draft report entitled "Review of Medicare Payments for Beneficiaries With Institutional Status at UnitedHealthcare of Ohio."

UnitedHealthcare does not dispute the findings as outlined in the draft report. Actions have been taken in accord with the report recommendations as outlined below.

UnitedHealthcare has initiated the request to refund the money to the Federal government for the identified overpayments in the amount of $13,128.00. This request has been made through two separate payment/status correction submissions to the Center's for Medicare & Medicaid Services (CMS) vendor, IntegriGuard. The first submission sent on 9/28/04 requested correction to 5 out of the 20 beneficiaries. The second submission sent on 12/10/04 requested correction to the remaining 15 beneficiaries. UnitedHealthcare will continue to work with IntegriGuard until all the requested corrections/refund of overpayments are finalized.

Regarding the recommendation to ensure that Medicare reimbursement for beneficiaries classified as institutionalized is claimed in accordance with Federal laws and regulations, UnitedHealthcare's Institutional Policy and Procedure has been revised. Specifically, the revisions were made to more clearly outline our efforts in working with the institutions to obtain accurate and timely information regarding the institutional status of beneficiaries. The revised Policy and Procedure was implemented on 12/15/04.

Please feel free to contact me if you have any questions or concerns. I can be reached at 952-936-3037.

Sincerely,

Kimberly A. Green

cc: Anna Korinko
Barbara Reid