DEPARTMENT OF HEALTH & HUMAN SERVICES **Office of Inspector General**

Washington, D.C. 20201

June 1, 2010

TO: Marilyn Tavenner
Acting Administrator and Chief Operating Officer
Centers for Medicare & Medicaid Services

/Joseph J. Green/ for
FROM: Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Review of National Government Services, Inc., Medicare Payments to Providers Terminated Between January 1, 2003, and January 31, 2007 (A-05-09-00076)

Attached, for your information, is an advance copy of our final report on National Government Services, Inc. (NGS), Medicare payments to providers terminated between January 1, 2003, and January 31, 2007. We will issue this report to NGS within 5 business days.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through email at George.Reeb@oig.hhs.gov or James C. Cox, Regional Inspector General for Audit Services, Region V, at (312) 353-2621 or through email at James.Cox@oig.hhs.gov. Please refer to report number A-05-09-00076.

Attachment

DEPARTMENT OF HEALTH & HUMAN SERVICES **Office of Inspector General**

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

June 7, 2010

Report Number: A-05-09-00076

Ms. Sandy Miller
President
National Government Services, Inc.
8115 Knue Road
Indianapolis, IN 46250

Dear Ms. Miller:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of National Government Services, Inc., 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. Please refer to report number A-05-09-00076 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 & Medicaid Services
601 East 12th Street, Room 235
Kansas City, MO 64106

Department of Health & Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF NATIONAL GOVERNMENT SERVICES, INC., MEDICARE PAYMENTS TO PROVIDERS TERMINATED BETWEEN JANUARY 1, 2003, AND JANUARY 31, 2007

Daniel R. Levinson
Inspector General

June 2010
A-05-09-00076

Office of Inspector General

http://oig.hhs.gov

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:

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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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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

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.

AdminaStar Federal, LLC (AdminaStar), was an FI during our audit period (January 1, 2003, through January 31, 2007). However, this report refers to the auditee as "National Government Services, Inc." (NGS), because NGS assumed the FI business operations of AdminaStar in January 2007. CMS subsequently awarded two MAC contracts to NGS for the administration of Medicare Part A and Part B claims.

OBJECTIVE

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

SUMMARY OF FINDING

NGS did not always recover overpayments for services furnished on or after the effective termination dates of provider agreements. For 251 of the 262 terminated providers whose payments we reviewed, NGS had not made material overpayments that were subject to recovery as of the start of our audit. However, for the 11 remaining providers, NGS had not recovered a total of $1,966,416 in overpayments that were subject to recovery. NGS had not recovered the overpayments because it did not follow its procedures to retroactively identify payments for posttermination services. NGS confirmed that the overpayments were subject to recovery.

RECOMMENDATIONS

We recommend that NGS:

- recover $1,966,416 in overpayments to the 11 terminated providers and

- follow its procedures to retroactively identify and recover overpayments for services furnished on or after the providers' effective termination dates.

NATIONAL GOVERNMENT SERVICES COMMENTS

In written comments on our draft report, NGS agreed with our recommendations and provided information on the status of its claim adjustments. NGS's comments, except for sensitive information, are included as the Appendix.

TABLE OF CONTENTS

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.

National Government Services, Inc.

AdminaStar Federal, LLC (AdminaStar), was an FI during our audit period (January 1, 2003, through January 31, 2007). However, this report refers to the auditee as "National Government Services, Inc." (NGS), because NGS assumed the FI business operations of AdminaStar in January 2007. CMS subsequently awarded two MAC contracts to NGS for the administration of Medicare Part A and Part B claims.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We reviewed NGS payments to 262 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 NGS officials the procedures used to retroactively identify and recover the overpayments identified during our review.

Our fieldwork included contacting NGS in Indianapolis, Indiana, and Louisville, Kentucky.

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 262 NGS-serviced providers that received Medicare payments for services furnished during or after our audit period,

- analyzed National Claims History and NGS data and identified 11 providers that each received $5,000 or more in overpayments for services furnished on or after the providers' effective termination dates, and

- worked with NGS 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 RECOMMENDATIONS

NGS did not always recover overpayments for services furnished on or after the effective termination dates of provider agreements. For 251 of the 262 terminated providers whose payments we reviewed, NGS had not made material overpayments that were subject to recovery as of the start of our audit. However, for the 11 remaining providers, NGS had not recovered a total of $1,966,416 in overpayments that were subject to recovery. NGS had not recovered the overpayments because it did not follow its procedures to retroactively identify payments for posttermination services. NGS 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, NGS had not recovered overpayments to 11 providers for Medicare services furnished on or after the providers' effective termination dates. The table below shows the number of unallowable claims and the overpayment amount for each provider. NGS confirmed that these overpayments were subject to recovery.

Unallowable Claims and Overpayments

	Unallowable Claims	Overpayments
Provider A	234	$710,720
Provider B	1,689	606,369
Provider C	359	310,661
Provider D	55	184,826
Provider E	16	50,123
Provider F	224	30,065
Provider G	92	29,379
Provider H	44	18,332
Provider I	75	14,066
Provider J	25	6,237
Provider K	10	5,638
Total	**2,823**	**$1,966,416**

NGS did not recover the overpayments before our audit because it did not follow its procedures to retroactively identify and recover the payments. Although NGS stated that such procedures were in place, it could not locate written procedures. As a result of our audit, NGS updated and formalized its procedures effective March 2009.

RECOMMENDATIONS

We recommend that NGS:

- recover $1,966,416 in overpayments to the 11 terminated providers and

- follow its procedures to retroactively identify and recover overpayments for services furnished on or after the providers' effective termination dates.

NATIONAL GOVERNMENT SERVICES COMMENTS

In written comments on our draft report, NGS agreed with our recommendations and provided information on the status of its claim adjustments. NGS's comments, except for sensitive information, are included as the Appendix.

APPENDIX

APPENDIX: NATIONAL GOVERNMENT SERVICES COMMENTS

National Government Services

National Government Services, Inc.
P.O. Box 7181
Indianapolis, Indiana 46207-7181
A CMS Contracted Agent

Medicare

May 5, 2010

Mr. James C. Cox
Regional Inspector General for Audit Services
Office of Audit Services, Region V
223 North Michigan Avenue
Suite 1360
Chicago, IL 60601

Re: NGS Response to OIG Audit, Report Number: A-05-09-00076

Dear Mr. Cox:

This letter is in response to the above referenced draft we received March 29, 2010, entitled "Review of National Government Services Inc., Medicare Payments to Providers Terminated Between January 1, 2003 and January 31, 2007."

National Government Services (NGS) agrees with the audit recommendations noted in the draft report. Please see the table below that outlines the status of claim adjustments necessary to recoup the overpayments made during this period.

Provider ID	Unallow Claims	Overpay	Provider #	Completed Adj	Incomplete Adj	$0.00 Adj	Total
Provider A	234	$710,720	[redacted]	234		$710,720	$710,720
Provider B	1,689	$606,369		1,689		$606,369	$606,369
Provider C	359	$310,661		359		$310,661	$310,661
Provider D	55	$184,826		55		$184,826	$184,826
Provider E	16	$50,123		16		$50,123	$50,123
Provider F	224	$30,065		224		$30,065	$30,065
Provider G	92	$29,379		92		$29,379	$29,379
Provider H	44	$18,332		44		$18,332	$18,332
Provider I	75	$14,066		75		$14,066	$14,066
Provider J	25	$6,235		25		$6,235	$6,235
Provider K	10	$5,638		10		$5,638	$5,638
Total	2,823	$1,966,414		2,823	0	$1,966,414	1,966,414

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Office of Inspector General Note: We have deleted sensitive information from this appendix.

Of the 2,823 original claims;

- 2,823 have been adjusted.
- Recouping $1,966,414.

NGS appreciates the opportunity to respond to the draft report. Should you have further questions, please feel free to contact Lawrence Bankston, Claims Manager, at 502-329-8574.

Sincerely,

David A. Marshall/gk

David A. Marshall
Vice President and Chief Operating Officer,
National Government Services

Cc: Sharon Weddel, Part A/RHHI Claims Director