Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

ZONE PROGRAM INTEGRITY CONTRACTORS' DATA ISSUES HINDER EFFECTIVE OVERSIGHT

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OBJECTIVES

1. To perform an early assessment of the Centers for Medicare & Medicaid Services' (CMS) oversight of the Zone Program Integrity Contractors (ZPIC).

2. To describe the extent to which ZPICs performed program integrity activities, including investigations, case referrals, responses to requests for information, and administrative actions.

3. To determine the extent to which CMS used program integrity workload statistics in ZPIC performance evaluations.

4. To describe any barriers encountered by ZPICs in performing their Medicare program integrity activities.

BACKGROUND

This study is part of the Office of Inspector General's (OIG) body of work examining the identification and investigation of fraud, waste, and abuse by Medicare program integrity contractors. OIG has identified oversight of CMS program and benefit integrity contractors as a top management challenge for the Department of Health and Human Services. Previous OIG studies found vulnerabilities in these contractors' efforts to combat fraud and abuse. This is the first study examining ZPICs' program integrity activities.

CMS is replacing Program Safeguard Contractors (PSC) with ZPICs, which will perform Parts A and B program integrity work in seven newly established geographical zones. CMS awarded the first two ZPIC contracts for Zones 4 and 7 on September 30, 2008, and both ZPICs were operational as of February 1, 2009. As of September 2011, CMS had awarded the remaining five ZPIC contracts and five of the seven ZPICs were operational.

ZPICs are required to report monthly workload statistics related to their program integrity activities, including investigations, case referrals, requests for information, and administrative actions. CMS tracks and analyzes these statistics using an online system called the CMS Analysis, Reporting, and Tracking System (CMS ARTS).

Our study was limited to the ZPICs in Zones 4 and 7 because they were the only ZPICs that had completed a full contract year at the time of our review. Our study reviewed ZPICs' activities for the period February 1 through October 31, 2009. We collected and reviewed

ZPICs' workload data in CMS ARTS and contacted CMS staff to help resolve discrepancies in the workload data. Additionally, we reviewed ZPICs' performance evaluations and surveyed the ZPICs to identify any barriers they encountered in performing their program integrity activities.

FINDINGS

Workload data used by CMS to oversee ZPICs were not accurate or uniform. There were inaccuracies and a lack of uniformity in ZPIC data as a result of system issues in CMS ARTS, ZPIC reporting errors, ZPICs' interpretations of workload definitions, and inconsistencies in requests for information reports.

A visual review of ZPICs' workload data revealed a CMS ARTS system error that resulted in incorrect data relating to ZPICs' investigations and cases. Additionally, we found that ZPICs' interpretations of workload definitions led to a lack of uniformity in workload data. Specifically, the ZPICs counted and reported their new investigations differently in their workload statistics in CMS ARTS. This lack of uniformity could be the reason that one ZPIC reported seven times more investigations originating from external sources (e.g., complaints) than the other. In addition, there were differences in the ways ZPICs were reporting on ZPIC-initiated work, and one ZPIC found the definitions regarding overpayments unclear.

The inaccuracy and nonuniformity of ZPICs' data prevented a conclusive assessment of ZPICs' program integrity activities. One of our objectives was to describe the extent of ZPICs' program integrity activities during their first year of operation. However, the inaccuracies and lack of uniformity in the ZPICs' data prevented us from making a conclusive assessment of their activities.

The lack of uniformity in ZPICs' reporting of data is similar to issues we identified more than 10 years ago in a review of Medicare Part A fraud units. That review found that definitions of key terms varied in meaning among CMS and its contractors, which hindered CMS's ability to interpret data and measure fraud unit performance. In addition, despite CMS's statement that its new contracting strategy of realigning contractor jurisdictions to include both Medicare Parts A and B would make it easier for CMS to compare contractors, the lack of uniformity identified in ZPICs' reporting could prevent CMS from both accurately

measuring an individual ZPIC's performance and comparing workload statistics across ZPICs.

CMS's performance evaluations of ZPICs contained few workload statistics. Neither ZPIC evaluation contained the amount of overpayments referred or the number of investigations or cases initiated as a result of proactive methods. The performance evaluations provided limited information on requests for information. Also, while one ZPIC's evaluation included the number of investigations the ZPIC initiated, the other did not. This lack of quantitative workload data is similar to the results of our past work on PSC performance evaluations, which found that the evaluation reports provided limited quantitative data about PSCs' achievements.

Although the ZPIC Statement of Work does not specify that workload statistics should be included in CMS's performance evaluations of the ZPICs, it does state that CMS uses CMS ARTS data to track and analyze ZPIC workload, performance, and production. Therefore, including workload statistics in ZPICs' performance evaluations would help ensure that CMS performs a thorough assessment of ZPICs' performance.

Data access issues affected ZPICs' ability to perform program integrity activities. ZPICs reported that data access issues affected their ability to identify potential fraud and abuse, respond to requests for information, and track overpayment collections. At the start of their contracts, ZPICs had difficulties obtaining data. One ZPIC described difficulties obtaining claims data from a previous PSC and, therefore, decided to purchase the claims data on its own from another CMS contractor. The other ZPIC stated that the data necessary to fulfill requests for information were not available or had to be generated from multiple sources.

Both ZPICs reported that improved data access would assist them in identifying potential fraud and abuse. ZPICs reported that having access to daily downloads of claims data would enable them to perform near-real-time analysis of a provider's or a supplier's billing activity. Both ZPICs identified issues with tracking overpayment collections relating to home health and durable medical equipment. They explained that the format of overpayment reports received from Medicare administrative contractors (MAC) makes it difficult to identify the overpayments related to their jurisdictions.

RECOMMENDATIONS

OIG has a long history of reviewing Medicare's program integrity contractors and their ability to detect and deter fraud, waste, and abuse. This review covered the first two ZPICs' first year of operation. Conducting an initial assessment of the two ZPICs' activities provides CMS with important information that would be helpful in its oversight of all ZPICs' performance. The inaccuracies and lack of uniformity we identified in ZPICs' data prevented us from making a conclusive assessment of their program integrity activities; however, the issues we identified present a serious obstacle to CMS in effectively overseeing ZPIC operations. It is important that these issues be corrected so that CMS can analyze ZPICs' effectiveness in detecting and deterring fraud, waste, and abuse. It is also important that these issues be corrected so that CMS can determine how well ZPICs are performing compared to other ZPICs and PSCs. Therefore, we recommend that CMS:

Clarify the workload definitions in CMS ARTS to ensure that ZPICs' workload statistics are accurate and that ZPICs report their data uniformly. CMS should clarify the definitions of the workload statistic fields in CMS ARTS and discuss the definitions with the ZPICs to ensure uniformity of reporting across ZPICs.

Improve oversight of ZPICs by performing a timely review of data in CMS ARTS for each ZPIC and across ZPICs to detect any anomalies in workload reporting. This would enable CMS to identify any issues that need to be further addressed and identify ZPICs that may need further oversight.

Utilize and report ZPIC workload statistics in ZPIC evaluations. CMS requires ZPICs to report workload statistics in CMS ARTS that could be valuable to CMS in its oversight and evaluation of ZPICs. Once CMS has ensured that ZPICs' workload statistics are being accurately and uniformly reported, CMS should utilize and report these statistics in ZPICs' performance evaluations.

Ensure that ZPICs have access to all data necessary to effectively carry out their program integrity activities. CMS should ensure that ZPICs have all data necessary to improve their identification of potential fraud and abuse, respond to requests for information, and track overpayment collections. For example, CMS should ensure that ZPICs have access to the necessary claims data at the start of their contracts, have access to near-real-time data, and receive MAC overpayment reports that are separated by ZPIC jurisdiction.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

CMS believes it has already complied with our first recommendation. CMS stated that there were some early misunderstandings, which have since been clarified, and believes the workload definitions are now written clearly.

CMS concurred with the first part of our second recommendation, to perform a timely review of data in CMS ARTS for each ZPIC. It did not concur with the second part, to perform a timely review of data across ZPICs. CMS stated that anomalies cannot be detected across ZPICs because of the differences in fraud landscapes between the ZPICs. We disagree and note that we detected anomalies in reporting across ZPICs, including differences in the way the ZPICs were reporting their numbers of new investigations.

CMS partially concurred with our third recommendation and stated it will consider including workload statistics for future evaluations, if appropriate. CMS stated it would welcome the opportunity to meet with OIG to discuss any workload statistics OIG believes would relate directly to ZPICs' performance.

CMS concurred with our fourth recommendation and stated that the currently awarded ZPIC Statements of Work require ZPICs to have access to daily downloads of shared system claims data. Additionally, CMS stated that it believes an effective workaround was developed for every data access problem identified in our study.

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3. To determine the extent to which CMS used program integrity workload statistics in ZPIC performance evaluations.

4. To describe any barriers encountered by ZPICs in performing their Medicare program integrity activities.

BACKGROUND

This study is part of the Office of Inspector General's (OIG) body of work examining the identification and investigation of fraud, waste, and abuse by Medicare program integrity contractors. OIG has identified oversight of CMS program and benefit integrity contractors as a top management challenge for the Department of Health and Human Services. Previous OIG studies found vulnerabilities in these contractors' efforts to combat fraud and abuse. This is the first study examining ZPICs' program integrity activities; it focuses on the two ZPICs that completed a full contract year in 2009.

Recently, there has been congressional interest in the work of the ZPICs. The Senate Committee on Finance sent a letter to CMS on October 15, 2010, regarding the performance both of the Program Safeguard Contactors (PSC) and ZPICs.[1] The letter raised concerns about the effectiveness of PSC and ZPIC efforts to combat fraud and abuse in the Medicare program.

Transition From PSCs to ZPICs
The Medicare Prescription Drug, Improvement and Modernization Act of 2003 required CMS to implement Medicare contracting reform. As a result of contracting reform, CMS is replacing PSCs with ZPICs, which will perform program integrity work for Medicare Parts A and B in seven newly established geographical zones:

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[1] Accessed at http://grassley.senate.gov/about/upload/2010-10-15-Letter-to-CMS.pdf on October 21, 2010.

- Zone 1: American Samoa, California, Guam, Hawaii, the Mariana Islands, and Nevada.

- Zone 2: Alaska, Arizona, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.

- Zone 3: Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio, and Wisconsin.

- Zone 4: Colorado, New Mexico, Oklahoma, and Texas.

- Zone 5: Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

- Zone 6: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Washington, D.C.

- Zone 7: Florida, Puerto Rico, and the Virgin Islands.

CMS awarded the first two ZPIC contracts, for Zones 4 and 7, on September 30, 2008, and both ZPICs were fully operational as of February 1, 2009. Health Integrity, LLC, was awarded the Zone 4 contract and SafeGuard Services, LLC, was awarded the Zone 7 contract.

As of September 2011, CMS had awarded the remaining five ZPIC contracts. Zone 1 was awarded in September 2010 and was fully operational in December 2010. Zone 2 was awarded in September 2009, but the award was protested. The protest was resolved in October 2010, and Zone 2 was fully operational in February 2011. Zone 3 was awarded in April 2011; however, a postaward protest has delayed the transition. Zone 5 was awarded in February 2009, but the award was protested and a stay of performance was required. CMS provided justification to override the stay, and the ZPIC was fully operational in December 2009. The last ZPIC contract for Zone 6 was awarded on September 30, 2011.

Program Integrity Activities of the ZPICs
According to the ZPIC Statement of Work, ZPICs' activities to identify, prevent, or correct potential fraud, waste, and abuse may include, but are not limited to, the following:

- proactively pursuing different sources and techniques for analyzing data,

- performing investigations,

- referring cases to law enforcement,

- initiating appropriate administrative actions, and

- responding to requests for information from law enforcement.

The ZPIC Statement of Work establishes the fundamental activities that may be performed by ZPICs and awarded through individual task orders. CMS has awarded several task orders to ZPICs. Each task order specifies the requirements to be performed. One type of task order is the fee-for-service task order; hereinafter, we refer to this as the benefit integrity task order.[2] This task order involves performing program integrity work for Medicare Part A, Part B, durable medical equipment (DME), and home health and hospice (HH&H).[3]

As shown in Table 1 below, the Zone 4 ZPIC received $11.4 million and the Zone 7 ZPIC received $10.8 million to conduct activities under their benefit integrity task orders for the first contract year (September 30, 2008, through October 31, 2009). In 2009, Zone 4's jurisdiction included 9 million beneficiaries and 107 million paid claims totaling $33 billion. Zone 7's jurisdiction included 7 million beneficiaries and 96 million paid claims totaling $26 billion.

Table 1: ZPIC Funding for First Contract Year and Oversight Responsibility for Benefit Integrity Task Order for 2009

	ZPIC Funding 9/30/08–10/31/09	Number of Beneficiaries	Number of Paid Claims	Dollar Amount of Paid Claims
Zone 4	$11.4 million	9 million	107 million	$33 billion
Zone 7	$10.8 million	7 million	96 million	$26 billion

Source: ZPIC task orders and OIG analysis of data received from CMS, December 2010.

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[2] Other types of task orders that CMS has awarded include, for example, one that addresses the Medicare-Medicaid data match program and one that addresses home health fraud specifically in the Miami-Dade, Florida, area.

[3] Although DME services are included in Part B and HH&H services are included in Part A, the benefit integrity task order separates these types of services in its reporting.

CMS Oversight of ZPICs' Program Integrity Activities

Workload activity statistics. ZPICs are required to report monthly workload statistics related to their benefit integrity task orders to CMS. These statistics are reported in an online system called the CMS Analysis, Reporting, and Tracking System (CMS ARTS). According to the ZPIC Statement of Work, CMS uses CMS ARTS to track and analyze ZPICs' workload statistics and performance.

Within CMS ARTS, the workload statistics are tracked in specific templates, which are described below.

Benefit Integrity template. Statistics in this template include, but are not limited to:

- number of new investigations and new cases resulting from proactive methods (e.g., data analysis),

- number of new investigations and new cases originating from external sources (e.g., complaints),

- amount of overpayments referred to and recovered by the affiliated contractor/Medicare administrative contractor (AC/MAC),[4] and

- administrative actions initiated (e.g., number of payment suspensions, exclusions, civil monetary penalties, and autodeny edits).

Workload statistics in this template are reported separately for Part A, Part B, DME, and HH&H.

Requests for Information template. Statistics in this template include, but are not limited to:

- number of information/data analysis requests received from OIG and the Department of Justice (DOJ) for ZPIC-initiated and non-ZPIC-initiated cases;

- number of information/data analysis requests completed for OIG and DOJ; and

- number of information/data analysis requests received from, and completed for, entities other than OIG and DOJ.

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[4] AC/MACs are the contractors that process Medicare Parts A and B claims and recoup overpayments referred by ZPICs.

CMS provides definitions for ZPICs to use when reporting workload data. Appendix A contains definitions for selected workload statistics. In addition, ZPICs include narrative information in the Benefit Integrity and Requests for Information templates to provide details on any significant workload activity.

Quality Assurance and Improvement template. One section of this template requests monthly ZPIC workload statistics regarding timeliness of responses to requests for information. ZPICs are required to report these statistics separately for requests from OIG and DOJ. The statistics are also tracked separately for Priority I and Priority II requests. Priority I requests are top priority and are required to be fulfilled within 30 days. Priority II requests are less critical and are required to be fulfilled within 45 days. Specifically, ZPICs report the number of Priority I and Priority II requests completed year-to-date and the number of these that were fulfilled within the required timeframes.

Quarterly Requests for Information reports. At the time of our review, ZPICs were required to submit quarterly reports on law enforcement requests. These reports provide more detailed information than the monthly statistics. The quarterly reports contain information such as the source of the request, whether it was Priority I or Priority II, whether it was open or closed, the date it was received, the date it was closed, and a description. As of October 2010, ZPICs were no longer required to submit these quarterly reports, but instead are required to enter their requests for information into the Fraud Investigation Database.[5]

ZPIC Performance Evaluations

According to the ZPIC Statement of Work, ZPICs' performance for each task order will be evaluated annually by CMS, with the first evaluation review occurring approximately 6 months after the task order is awarded. The Performance Evaluation Team (PET) may evaluate any requirement in the Statement of Work that is related to the task order awarded. The objectives of the performance evaluation include:

- measuring and evaluating ZPICs' performance,

- identifying opportunities to improve performance,

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[5] The Fraud Investigation Database is a CMS system that contains data on Medicare and Medicaid investigations, cases, requests for information, and payment suspensions.

- providing a fair and accurate system of review for CMS to ensure effective and efficient Medicare and Medicaid program administration, and

- assessing the degree to which ZPICs' direct and indirect customers are satisfied with ZPIC services.

Some examples of potential data sources described in the ZPIC Statement of Work that may be used to evaluate performance include:

- ZPIC-supplied data—Each ZPIC is required to prepare a self-evaluation of its performance. This will be considered as part of the annual performance evaluation.

- Internal controls—CMS may conduct internal control reviews of ZPICs and include the results in their performance evaluations.

- PET investigations—PET may investigate any aspect of ZPIC activities and include findings as part of the performance evaluations.

Related Studies by OIG

Previous OIG studies have found vulnerabilities in Medicare program integrity contractors' efforts to identify and investigate potential fraud and abuse as well as limitations in CMS's oversight of these contractors. In November 1998, OIG issued a report entitled *Fiscal Intermediary Fraud Units* (OEI-03-97-00350). OIG found that key words, including "complaint" and "case," varied in meaning among CMS and its contractors, which hindered CMS's ability to interpret fraud unit data and measure fraud unit performance. OIG recommended that CMS establish clear definitions of key words, establish a standard set of data that can be used to measure fraud units' performance, and include this standard set of data in all contractor performance evaluation reports.

In March 2006, OIG issued a report entitled *Medicare's Program Safeguard Contractors: Performance Evaluation Reports* (OEI-03-04-00050). OIG found that PSC performance evaluation reports provided limited quantitative data about PSCs' achievements related to detecting and deterring fraud and abuse.

In July 2007, OIG issued a report entitled *Medicare's Program Safeguard Contractors: Activities To Detect and Deter Fraud and Abuse* (OEI-03-06-00010). OIG found that PSCs differed substantially in their number of new investigations and case referrals and

recommended that CMS review PSCs with low activity. In response to this report, CMS stated that its new PSC (and now ZPIC) contracting strategy, which realigns contractor jurisdictions to include both Medicare Parts A and B, would make it easier to compare contractors. CMS also stated that improvements within CMS ARTS would prevent inconsistent reporting across contractors.

In May 2010, OIG issued a report entitled *Collection Status of Medicare Overpayments Identified by Program Safeguard Contractors* (OEI-03-08-00030). OIG found that overpayments that PSCs referred for collection did not result in significant recoveries to Medicare. Specifically, claims processors collected 7 percent, or $55 million, of the $835 million in overpayments that PSCs referred in 2007. In response to this report, CMS stated that it was adding reporting requirements that would improve overpayment tracking among the MACs and PSCs/ZPICs.

METHODOLOGY

Scope

Our study was limited to ZPICs in Zones 4 and 7 because they were the only ZPICs that had completed a full contract year at the time of our review. We focused on investigation and fraud case workloads as well as requests for information and administrative actions related to ZPICs' benefit integrity task orders during their first year of operation (February 1 through October 31, 2009).[6] In addition, we gathered information from the ZPICs regarding any barriers they encountered while performing their contractual duties during their first full contract year (September 30, 2008, through October 31, 2009).

Data Collection

We collected data from CMS and ZPICs in Zones 4 and 7. We collected data from February through December 2010 and performed followup from January through March 2011.

Data from CMS. From CMS, we collected ZPICs' workload statistics from the CMS ARTS Benefit Integrity, Requests for Information, and

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[6] The first contract year for the ZPICs in Zones 4 and 7 was September 30, 2008, through October 31, 2009. However, because the ZPICs were in transition and were not fully operational until February 1, 2009, we reviewed only workload statistics for the period when they were fully operational. We refer to this period as their first year of operation for simplicity.

Quality Assurance and Improvement templates. We collected workload data for each month during the ZPICs' first year of operation, beginning with February 2009 and ending with October 2009. We also collected summary workload data for the 9-month timeframe. In addition, we collected the narratives included in the Benefit Integrity and Requests for Information templates. We also collected the quarterly law enforcement Requests for Information reports for the ZPICs' first year of operation.

Additionally, we reviewed the CMS ARTS workload definitions and contacted CMS staff to obtain clarification on the definitions and to help resolve discrepancies in the workload data.

We also requested performance evaluations for the ZPICs' first contract year. For each ZPIC, we received a performance evaluation report that covered the period September 30, 2008, through April 30, 2009. As of March 2011, evaluation reports covering the period May 1 through October 31, 2009, had not been completed.

Data from ZPICs. We sent each ZPIC its Benefit Integrity and Requests for Information workload data, which we had received from CMS. We asked ZPICs to review the information to ensure its accuracy and either confirm that it was correct or provide corrected information. We did not ask ZPICs to review their data in the Quality Assurance and Improvement template.

To obtain additional information, we sent a data collection instrument to the ZPICs. The information collected included the types of potential fraud and abuse investigated and referred to OIG, the types of proactive data analysis conducted, and the number of overpayment recoupment actions related to cases. We also requested information about any barriers encountered relating to data access, fraud and abuse investigation, referrals for administrative actions, and responding to requests for information.

Data Analysis

We reviewed the workload data in the Benefit Integrity template to identify any inconsistencies. We analyzed data on ZPICs' investigations, case referrals, and administrative actions by type of service. We calculated the total number of investigations and cases handled by the ZPICs and aggregated the dollars associated with administrative actions (e.g., overpayments). We also calculated the percentage of investigations and cases that originated from external sources and proactive methods. We determined the percentage of

investigations, cases, and referred overpayment dollars associated with each type of service (i.e., Part A, Part B, DME, and HH&H).

From the Requests for Information workload data, we determined the number of requests that ZPICs received from OIG, DOJ, and other entities during their first year of operation. We compared the Requests for Information workload data to the data provided in the Requests for Information quarterly reports.

We reviewed the requests for information data from the Quality Assurance and Improvement template to determine whether they corresponded to the data in the quarterly Requests for Information reports and to identify any inconsistencies in the template itself.

We also used the quarterly Requests for Information reports and information in the Requests for Information workload narratives to determine the timeliness of ZPICs' response to OIG and DOJ requests for information. Appendix B provides a detailed explanation of our methodology for determining timeliness of requests for information.

We reviewed the ZPICs' performance evaluation reports to determine the extent to which they incorporated program integrity workload statistics. In addition, we compared the data on the timeliness of requests for information in the performance evaluations with the timeliness data in the quarterly Requests for Information reports and the Quality Assurance and Improvement template.

From the ZPIC survey, we aggregated the types of potential fraud and abuse that were investigated and referred to law enforcement, as well as the number of overpayment recoupment actions associated with cases. We also identified the types of proactive data analysis conducted. Additionally, we compiled any barriers reported by the ZPICs regarding data access, performance of administrative actions, and response to requests for information.

For ease of reporting, we differentiate between the ZPICs, when necessary, by referring to them as either ZPIC A or ZPIC B in our report.

Limitations
The program integrity workload data and survey information included in the report are self-reported by the ZPICs. Although we asked ZPICs to verify the accuracy of their workload data, we did not independently validate the information.

Standards

This study was conducted in accordance with the *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency.

➤ FINDINGS

Workload data used by CMS to oversee ZPICs were not accurate or uniform

There were inaccuracies and a lack of uniformity in ZPICs' data during their first year of operation (February through October 2009). The inaccuracies and lack of uniformity resulted from system issues in CMS ARTS, ZPIC reporting errors, ZPICs' interpretations of workload definitions, and inconsistencies in requests for information reports.

System issues in CMS ARTS led to inaccurate ZPIC data

In reviewing the original CMS ARTS data we received from CMS, we identified a system issue that led to inaccurate ZPIC workload data. Specifically, we identified two fields in the Benefit Integrity template that were not being calculated correctly in CMS ARTS. The fields were "Number of new investigations originating from reactive sources" and "Number of new cases referred originating from reactive sources." The correct values for these fields should have been calculated by summing several data fields; however, CMS ARTS was not summing the fields correctly, resulting in incorrect totals. A visual review of the workload data revealed the system error. CMS worked with its CMS ARTS contractor to correct the system errors and, at our request, resubmitted the corrected data reports to us. Appendix A contains the definitions of selected CMS ARTS workload statistics.

ZPIC reporting errors led to inaccurate data in CMS ARTS

Based on our initial review of ZPICs' workload data, we found discrepancies that prompted us to request the ZPICs to review their data. For example, we identified discrepancies between one ZPIC's Request for Information workload data and the requests for information data in its quarterly reports. Additionally, we identified discrepancies between the fields in CMS ARTS that capture the number of fraud cases open at the beginning of the month and the number open at the end of the month. It did not appear that CMS had identified these discrepancies or had asked the ZPICs to review or revise their data.

ZPICs reviewed their data and reported that some of the workload data they originally submitted to CMS were incorrect. ZPIC A provided us with revised workload data that increased its number of requests for information received from 480 to 516. ZPIC B provided us with revised workload data that increased the amount of its overpayment dollars recovered in 1 month from $0 to $155,174; ZPIC B also increased its total number of case referrals from seven to nine.

Moreover, according to the workload definitions, the number of cases that were open and active at the beginning of the month should equal the number of cases open and active at the end of the previous month. However, even after ZPICs submitted their revised data to us, we identified instances in which these numbers did not match.

ZPICs' interpretation of workload definitions led to a lack of uniformity in workload data

New investigations. Based on ZPICs' workload data, ZPIC A opened 404 new investigations and ZPIC B opened 2,409 new investigations. As shown in Table 2, ZPIC B's number of investigations originating from external sources (e.g., complaints) was seven times higher than ZPIC A's (2,305 versus 312).

Table 2: New ZPIC Investigations by Source

	External Source	Proactive Method	Total
ZPIC A	312	92	404
ZPIC B	2,305	104	2,409
Both ZPICs	**2,617**	**196**	**2,813**

Source: OIG analysis of ZPICs' Benefit Integrity Workload data, February 1 through October 31, 2009.

In reviewing ZPIC workload data and following up with ZPIC staff, we determined that the two ZPICs counted and reported their new investigations differently in their CMS ARTS workload statistics. Specifically, ZPIC B explained that it included all fraud complaints in its number of new investigations in CMS ARTS, regardless of whether those complaints were merged into one investigation of a particular provider. However, ZPIC A explained that if it received one complaint on a particular provider and started an investigation and then received another complaint on the same provider, this would not be counted as a new investigation in the workload statistics. This lack of uniformity in ZPICs' reporting could account for the disparity between the ZPICs' numbers of new investigations opened during our timeframe and could also affect CMS's ability to accurately assess ZPICs' performance.

ZPIC-initiated work. In the workload statistics, ZPICs report whether requests for information submitted by OIG and DOJ were based on ZPIC-initiated cases or non-ZPIC-initiated cases. The workload statistics showed that one ZPIC had no requests as a result of

ZPIC-initiated cases, whereas the other ZPIC reported that nearly all of its OIG/DOJ requests were results of ZPIC-initiated cases. Because of this disparity, we followed up with the latter ZPIC and learned that it included its prior work as a PSC when reporting the number of requests it received as a result of ZPIC-initiated cases. The ZPICs' different interpretations of definitions involving ZPIC-initiated work could lead them to provide CMS with inaccurate data for reviewing performance in this area.

Overpayments. Several fields in the workload statistics capture information on overpayments; however, the definitions of these fields were problematic for at least one ZPIC. As shown in Appendix A, three overpayment fields are located in the investigation workload section (fields A9, A10, and A14) and two overpayment fields are located in the fraud case workload section (fields B7 and B13).

In reviewing one ZPIC's survey and workload data, we identified an inconsistency and followed up with that ZPIC. We learned that although the fields for "Dollar amount referred to the AC/MAC for overpayment collection" and "Number of overpayment recoupment actions referred to the AC/MAC" are located under the investigation workload section, the definitions do not indicate whether CMS is referring to overpayment referrals based on a case or an investigation. Therefore, this ZPIC included data relating to investigations and cases in both of these fields instead of just information related to investigations.[7] This could prevent CMS from accurately identifying overpayments associated with investigations versus those associated with cases.

Reports regarding requests for information were inconsistent
The ZPICs' quarterly Requests for Information reports and their Quality Assurance and Improvement reports each contain information regarding the number of OIG and DOJ requests for information completed and the ZPICs' timeliness in completing these requests. However, we found inconsistencies regarding the ZPICs' reporting of requests for information between the two reports. For example, our analysis of one ZPIC's quarterly report data from February through

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[7] There is a field relating to the number of overpayment recoupment actions referred to the AC/MAC in the investigations workload area but not in the case workload area. CMS staff reported that they were planning to add this field when they make system enhancements to CMS ARTS.

October 2009 showed that the ZPIC completed 31 Priority I requests for OIG, with 19 percent not completed within 30 days. However, this ZPIC's Quality Assurance and Improvement data for the same period indicated that the ZPIC completed just eight Priority I requests for OIG, with 25 percent not completed within 30 days.

In addition, we found inconsistencies within the Quality Assurance and Improvement report from month to month. For example, although ZPICs are instructed to report the number of requests completed year-to-date, we found instances in which the number of completed requests decreased from one month to the next. Moreover, although ZPICs are instructed to report the number of Priority I requests for information completed year-to-date and the number of these requests fulfilled within 30 days, we observed instances in which the number of requests completed within the 30-day required timeframe was greater than the total number of requests completed.

The inaccuracy and nonuniformity of ZPICs' data prevented a conclusive assessment of ZPICs' program integrity activities

One of our objectives was to describe the extent of ZPICs' program integrity activities during their first year of operation (February through October 2009). However, the inaccuracies and lack of uniformity in the ZPICs' data prevented us from making a conclusive assessment of their activities.

We have provided ZPICs' workload data and data obtained through our survey in Appendix B to give a general sense of the ZPICs' self-reported program integrity activities. Appendix B provides information on ZPICs' investigation and case referral activity, utilization of external and proactive methods, activities related to requests for information, and activities related to overpayments and other administrative actions.

The inconsistencies we identified in ZPICs' reporting are similar to the issues we identified more than 10 years ago in our review of Medicare fraud units.[8] In that report, we found that definitions of key terms, including "complaint" and "case," varied in meaning among CMS and its contractors, which hindered CMS's ability to interpret data and measure fraud unit performance. Similarly, the inconsistencies and lack of uniformity we identified in ZPICs' reporting could prevent CMS from performing effective oversight of the ZPICs.

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[8] OIG, *Fiscal Intermediary Fraud Units*, OEI-03-97-00350, November 1998.

In response to our previous work on PSCs' identification of potential fraud and abuse, CMS stated that its new contracting strategy of realigning contractor jurisdictions to include both Medicare Parts A and B would make it easier to compare contractors.[9] CMS also stated that improvements within CMS ARTS would prevent inconsistent reporting across contractors. However, our current review has identified incorrect and nonuniform reporting in CMS ARTS that could prevent CMS from both accurately measuring an individual ZPIC's performance and comparing workload statistics across ZPICs.

CMS's performance evaluations of ZPICs contained few workload statistics

CMS did not include the results of many workload statistics in ZPICs' performance evaluation reports. Neither ZPIC evaluation included the number or percentage of investigations or cases initiated as a result of proactive methods. Additionally, neither evaluation reported on the number of overpayment actions initiated or the overpayment dollars referred. While one ZPIC's evaluation included the number of investigations initiated, the other did not. This lack of quantitative workload data is similar to the results of our past work on PSC performance evaluations, which found that PSC evaluation reports provided limited quantitative data about PSCs' achievements related to detecting and deterring fraud and abuse. [10]

Both ZPICs' evaluations did provide some information on the timeliness of requests for information. However, one ZPIC's evaluation report provided the average response time for completing Priority I and Priority II requests but did not provide information on the number of requests completed or the number that exceeded the required timeframes. The other ZPIC's evaluation report provided the number of Priority I requests that were completed and the number that exceeded the timeframe; however, these data did not coincide with the data provided in the ZPIC's Requests for Information quarterly reports or in the Quality Assurance and Improvement template.

Although the ZPIC Statement of Work does not specify that workload statistics should be included in CMS's performance evaluations of the

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[9] OIG, *Medicare's Program Safeguard Contractors: Activities To Detect and Deter Fraud and Abuse,* OEI-03-06-00010, July 2007.

[10] OIG, *Medicare's Program Safeguard Contractors: Performance Evaluation Reports* (OEI-03-04-00050), March 2006.

ZPICs, it does state that CMS uses CMS ARTS data to track and analyze ZPIC workload, performance, and production. Including workload statistics in ZPICs' performance evaluations would help ensure that CMS performs a thorough assessment of ZPICs' performance.

Data access issues affected ZPICs' ability to perform program integrity activities

ZPICs reported that data access issues affected their ability to identify potential fraud and abuse, respond to requests for information, and track overpayment collections.

At the start of their contracts, ZPICs had difficulties obtaining data. As outlined in the Statement of Work, ZPICs were required to obtain 3 years' worth of Medicare claims data. According to CMS staff, the outgoing PSCs were to provide these data to the ZPICs. However, ZPIC A described difficulties obtaining claims data from a previous PSC and, therefore, decided to purchase the claims data on its own from another CMS contractor. This caused a 30-day delay in data availability during the first month of operations. ZPIC B stated that at the beginning of its contract, the data necessary to fulfill the requests for information were not available or had to be generated from multiple sources. For a short time, this ZPIC contracted with a prior PSC to fulfill DME requests for information because the data being requested were not available to the ZPIC.

Both ZPICs reported that improved data access would assist them in identifying potential fraud and abuse. The ZPICs explained that it would be beneficial to have access to daily downloads of Part A, Part B, DME, and HH&H claims data. This would enable the ZPICs to perform near-real-time analysis of a provider's or supplier's billing activity. The ZPICs explained that they are working with CMS to receive access to these data. Additionally, one ZPIC reported that having access to Medicare Part C and Part D data would enable the ZPIC to have a full picture of a provider's billing pattern.

In response to our previous work on the collection status of PSCs' overpayments, CMS stated that it had issued new requirements for ZPICs and MACs to assist with overpayment reporting.[11] However, ZPICs identified barriers to tracking overpayment collections relating to

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[11] OIG, *Collection Status of Medicare Overpayments Identified by Program Safeguard Contractors* (OEI-03-08-00030), May 2010.

home health and DME. The ZPICs reported that the format of the overpayment reports received from Medicare claims processors makes it difficult to identify the overpayments related to their jurisdictions. ZPIC A stated that it has worked with the MACs and now can properly identify the majority of the money collected. ZPIC B reported that its issues relating to home health had been resolved but that it was still having issues with the overpayments relating to DME. The ZPIC explained that the overpayment recoupment report provided by the MAC does not enable the ZPIC to track the money collected on its overpayment referrals.

➤ R E C O M M E N D A T I O N S

OIG has a long history of reviewing Medicare's program integrity contractors and their ability to detect and deter fraud, waste, and abuse. This review covered the first two ZPICs' first year of operation. Conducting an initial assessment of the two ZPICs' activities provides CMS with important information that would be helpful in its oversight of all ZPICs' performance.

Although one of our objectives was to describe the extent of ZPICs' program integrity activities, the inaccuracies and lack of uniformity we identified in ZPICs' data prevented us from making a conclusive assessment of their activities. Additionally, we found that data access issues affected ZPICs' ability to perform program integrity activities.

Moreover, some of the issues we identified are similar to past OIG report findings. Specifically, the lack of uniformity in ZPICs' reporting is similar to what we found regarding Medicare Part A fraud units more than a decade ago. Furthermore, the lack of quantitative workload data in ZPICs' performance evaluations is similar to the results we identified more than 5 years ago in our work on PSC performance evaluations.

Additionally, although CMS has stated that its new contracting strategy, which realigns contractor jurisdictions to include both Medicare Parts A and B, would make it easier to compare contractors, the issues we identified could prevent CMS from accurately comparing workload data across ZPICs.

The issues we identified have been problematic for some time and present a serious obstacle to CMS in effectively overseeing ZPIC operations. These issues need to be corrected so that CMS can analyze ZPICs' effectiveness in detecting and deterring fraud, waste, and abuse. Correcting these issues also will enable CMS to determine how well ZPICs are performing compared to other ZPICs and PSCs. Therefore, we recommend that CMS:

Clarify the workload definitions in CMS ARTS to ensure that ZPICs' workload statistics are accurate and that ZPICs report their data uniformly
CMS should clarify the definitions of the workload statistic fields in CMS ARTS and discuss the definitions with the ZPICs to ensure uniformity of reporting across ZPICs.

Improve oversight of ZPICs by performing a timely review of the data in CMS ARTS for each ZPIC and across ZPICs to detect any anomalies in workload reporting

This would enable CMS to identify any issues that need to be further addressed and identify ZPICs that may need further oversight.

Utilize and report ZPIC workload statistics in ZPIC evaluations

CMS requires ZPICs to report workload statistics in CMS ARTS that could be valuable to CMS in its oversight and evaluation of ZPICs. Once CMS has ensured that ZPICs' workload statistics are being accurately and uniformly reported, CMS should utilize and report these statistics in ZPICs' performance evaluations.

Ensure that ZPICs have access to all data necessary to effectively carry out their program integrity activities

CMS should ensure that ZPICs have all data necessary to improve their identification of potential fraud and abuse, respond to requests for information, and track overpayment collections. For example, CMS should ensure that ZPICs have access to the necessary claims data at the start of their contracts, have access to near-real-time data, and receive MAC overpayment reports that are separated by ZPIC jurisdiction to enable ZPICs to determine which recovered overpayments are associated with their overpayment referrals.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

CMS believes it has already complied with our first recommendation. CMS stated that there were some early misunderstandings, which have since been clarified, and believes the workload definitions are now written clearly. We ask that CMS, in its final management decision, provide OIG with documentation of the revised definitions.

CMS concurred with the first part of our second recommendation, to perform a timely review of data in CMS ARTS for each ZPIC. CMS stated that it has developed a monthly dashboard of key statistical indicators in CMS ARTS. However, CMS did not state how often it was reviewing these indicators along with ZPICs' other monthly workload statistics to detect any anomalies in ZPIC reporting. CMS did not concur with the second part of our recommendation, to perform a timely review of data across ZPICs. In response to our previous work on PSCs' identification of potential fraud and abuse, CMS stated that its new strategy of realigning contractor jurisdictions to include both Medicare

Parts A and B would make it easier to compare contractors. However, in its current comments, CMS stated that this new strategy does not make it possible to compare the zones and that anomalies cannot be detected across ZPICs because of the differences in fraud landscapes between the ZPICs. We disagree and note that we detected anomalies in reporting across ZPICs, including differences in the way the ZPICs were reporting their numbers of new investigations. We maintain that reviewing data across ZPICs will enable CMS to detect anomalies in workload reporting and identify ZPICs that may need additional oversight.

CMS partially concurred with our third recommendation and stated it will consider including workload statistics for future evaluations, if appropriate. CMS stated that it cannot evaluate a ZPIC based on the number or percentage of investigations or cases initiated as a result of proactive methods, the number of overpayment actions initiated, or the associated overpayment dollars referred. CMS stated that these data can vary widely from month to month and are not a good indicator of performance because they are not within the control of the ZPIC. OIG maintains that quantitative measures, such as the number of investigations and cases initiated as a result of proactive methods, are within the control of the ZPIC. While these measures should not be the sole indicator of ZPIC performance, they can provide valuable information on the level of ZPIC activity and the quality of ZPIC performance. OIG continues to support the need for both quantitative and qualitative measures in ZPICs' performance evaluations. CMS stated its willingness to work with OIG to identify workload statistics that would relate directly to ZPICs' performance.

CMS concurred with our fourth recommendation and stated that the currently awarded ZPIC Statements of Work require ZPICs to have access to daily downloads of shared system claims data. Additionally, CMS stated that it believes an effective workaround was developed for every data access problem identified in our study. The full text of CMS's comments is provided in Appendix C.

Table A-1: Definitions for Selected Workload Data Fields in the Centers for Medicare & Medicaid Services' Analysis, Reporting, and Tracking System

Field	Definition
A. Investigation Workload	
A3. Number of new investigations originating from reactive sources	This number reflects all new investigations originating from specific complaints and/or information. This is a count of investigations, not individual target providers within an investigation. The amount reported in this field should total the workload entered in A3a–A3e.
A3a. Medical Review	This reflects the number of new investigations referred to the Zone Program Integrity Contractor (ZPIC) Benefit Integrity Unit (BIU) from the Affiliated Contractor /Medicare Administrative Contractor (AC/MAC) Medical Review unit (since the beginning of the month).
A3b. AC/MAC Complaint Unit	This reflects the number of new investigations referred to the ZPIC BIU from the AC/MAC's Complaint Unit (since the beginning of the month).
A3c. Other	This reflects the number of new investigations referred to the ZPIC BIU from sources other than those specified above (since the beginning of the month).
A3d. CMS Field Offices	This reflects the number of new investigations originating from a CMS Field Office (since the beginning of the month).
A3e. Other ZPIC Task Orders	This reflects the number of new investigations referred to the ZPIC BIU from other ZPIC Task Orders (since the beginning of the month).
A4. Number of new investigations resulting from proactive leads	This number reflects all new investigations originating from self-initiated means.
A7. Number of investigations open and active at the end of the month	This reflects the number of investigations that are open and active in the ZPIC BIU at the end of the month. The amount reported here reflects the amounts reported in A1+A3+A4-A5-A6+any investigations reprioritized into an active status from A8.
A9. Dollar amount referred to the AC/MAC for overpayment collection	This reflects the dollar amount that the ZPIC BIU referred to the AC/MAC for collection.
A10. Number of overpayment recoupment actions referred to the AC/MAC	This reflects the number of recoupment actions referred for overpayment that the ZPIC BIU submitted to the AC/MAC this month.
A14. Dollar amount recovered on overpayments related to investigations, determined by the ZPIC and referred to the AC/MAC for collection	This reflects the actual dollar amount recovered as a result of ZPIC BIU recoupment actions referred to the AC/MAC.
B. Fraud Case Workload	
B1. Number of fraud cases open and active at the beginning of the month	This reflects the number of fraud cases that are open and active at the beginning of the month. This number should equal B5 from the prior month.
B2. Number of new cases referred originating from reactive sources	This number reflects all cases originating from the sources specified below and should total the workload entered in B2a–B2e.
B2a. Medical Review	This reflects the number of new cases referred by the ZPIC BIU that originated from the AC/MAC Medical Review unit (since the beginning of the month).
B2b. AC/MAC Complaint Unit	This reflects the number of new cases referred by the ZPIC BIU that originated from the AC/MAC's Complaint Unit (since the beginning of the month).

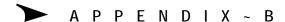**Table A-1: Definitions for Selected Workload Data Fields in the Centers for Medicare & Medicaid Services' Analysis, Reporting, and Tracking System (Continued)**

Field	Definition
B2c. Other	This reflects the number of new cases referred by the ZPIC BIU that originated from sources other than those specified above (since the beginning of the month).
B2d.CMS Field Offices	This reflects the number of new cases originating from CMS Field Offices during the month being reported on.
B2e. Other ZPIC Task Orders	This reflects the number of cases originating from other ZPIC Task Orders during the month being reported.
B3. Number of new cases referred resulting from proactive leads	This number reflects all new cases originating from self- initiated means.
B5. Number of cases open and active at the end of the month	This reflects the number of cases that are open and active in the ZPIC BIU at the end of the month.
B7. Total dollars as a result of administrative action on cases	This reflects the dollar amount that the ZPIC BIU referred to the AC/MAC for collection on cases this month only.
B13. Dollar amount recovered on overpayments related to cases, determined by the ZPIC and referred to the AC/MAC for collection	This reflects the actual dollar amount recovered as a result of ZPIC BIU recoupment actions referred to the AC/MAC.
C. Medical Review in Support of Benefit Integrity	
C1g. Total number of prepay claims denied	This reflects the total number of prepay claims denied, in part or in full. Claims with a single line item denial shall be considered a full prepay claim denial. Claims that are denied based on lack of medical records following an Additional Documentation Request (ADR) shall also be included.
C1g1. The dollar amount of prepay claims denied	This reflects the dollar amount of prepay claims denied represented in C1e. Where line item or partial denials were made, only include the actual amount denied as opposed to the total amount of the claim. This shall include claim denials for lack of medical records following a nonresponse to an ADR.
D. Administrative Activities	
D1a. Number of new payment suspension requests submitted to CMS during the month	This reflects the number of official petitions submitted to CMS to suspend providers during the month. Providers with multiple Provider Identification Numbers (PINs) assigned will be considered as a single provider, even when multiple PINs are suspended. Providers assigned to Group Practices where the group is suspended as well, shall be considered as separate suspensions.
D1b. Number of payment suspension requests denied by CMS during the month	This reflects the number of official petitions submitted that were denied by CMS during the month.
D2a. Number of providers newly referred for exclusion	This reflects the number of providers referred to the Office of the Inspector General (OIG) for exclusion during the month.
D3a. Number of Civil Monetary Penalties (CMP) referred to OIG or CMS for consideration	This reflects the number of CMPs referred by the ZPIC to either CMS or OIG for consideration during the month.
D5a. The number of new auto-deny edits recommended for implementation	This reflects the number of new benefit integrity auto-deny edits, created by the ZPIC either solely or jointly with the AC/MAC, that the ZPIC recommends for payment system implementation this month.
D5b. The total number of ZPIC-recommended auto-deny edits that were in effect during the month	This reflects the total number of ZPIC-recommended auto-deny edits that were in place during any part of the month.

Table A-1: Definitions for Selected Workload Data Fields in the Centers for Medicare & Medicaid Services' Analysis, Reporting, and Tracking System (Continued)

Field	Definition
E. Information/Data Requests	
E1a. Number of information/data analysis requests received from the OIG/ Department of Justice (DOJ) for ZPIC initiated cases	This reflects the number of information/data analysis requests (including requests for Medical Review) received from the OIG/DOJ for ZPIC initiated cases this month.
E1b. Number of information/data analysis requests received from the OIG/DOJ for non-ZPIC initiated cases	This reflects the number of information/data analysis requests (including requests for Medical Review) received from the OIG/DOJ for non-ZPIC initiated cases.
E1c. Number of information/data analysis requests completed for the OIG/DOJ	This reflects the number of information/data analysis requests completed for the OIG/DOJ during the month. This number represents both ZPIC initiated and non-ZPIC initiated completions.
E2a. Number of formal information/data analysis requests received from "Other" Entities	This reflects the number of information/data analysis requests received from "Other." "Other" includes, but is not limited to, CMS, Internal Revenue Service (IRS), Medicaid Fraud Control Units (MFCU), State Investigative Departments, or State Attorney General Offices.
E2b. Number of formal information/data analysis requests completed for "Other" Entities	This reflects the number of information/data analysis requests completed for "Other" during the month. This number represents both ZPIC initiated and non-ZPIC initiated completions. "Other" includes, but is not limited to, CMS, IRS, MFCUs, State Investigative Departments, or State Attorney General Offices.

Source: CMS ARTS definitions document received from CMS, July 2010.

Zone Program Integrity Contractors' Program Integrity Activities and Workload Data

One of our objectives was to describe the extent of Zone Program Integrity Contractors' (ZPIC) program integrity activities during their first year of operation (February through October 2009). In this appendix, we provide ZPICs' workload data, as well as data obtained through our survey, to give a general sense of the program integrity activities as reported by the ZPICs. However, inaccuracies and a lack of uniformity in the ZPICs' data prevented us from making a conclusive assessment of their activities.

ZPICs' Investigation and Case Referral Activity

ZPICs investigate potential fraud and abuse on the part of providers and suppliers that receive reimbursement under Medicare Parts A and B. When ZPICs receive an allegation of fraud or identify a potentially fraudulent situation, they investigate to determine the facts and magnitude of the alleged fraud. For example, ZPICs may review a sample of claims, interview a sample of beneficiaries, or perform data analysis to substantiate the allegation. ZPICs consult with the Office of Inspector General (OIG) on the facts of the investigation and obtain OIG's recommendation on whether the investigation should be further developed as a case referral.

Table B-1 shows the number and percentage of new investigations opened by ZPICs by the types of services involved. Table B-2 shows the number and percentage of cases referred to law enforcement by the types of services involved. Table B-3 provides the types and percentages of potential fraud and abuse involved with ZPICs' new investigations and case referrals.

Table B-1: New ZPIC Investigations by Type of Service

	Part A		Part B		DME[2]		HH&H[2]		
	Number	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**	**Total**
ZPIC A[1]	69	17%	165	41%	83	21%	87	22%	404
ZPIC B[1]	1,295	54%	231	10%	818	34%	65	3%	2,409
Both ZPICs	**1,364**	**48%**	**396**	**14%**	**901**	**32%**	**152**	**5%**	**2,813**

Source: OIG analysis of ZPICs' Benefit Integrity Workload data, February 1 through October 31, 2009.
[1] Percentages across the row do not total 100 percent because of rounding.
[2] "DME" refers to durable medical equipment and "HH&H" refers to home health and hospice.

Table B-2: New ZPIC Case Referrals by Type of Service

	Part A		Part B		DME		HH&H		
	Number	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**	**Number**	**Percentage**	**Total**
ZPIC A	0	0%	28	67%	11	26%	3	7%	42
ZPIC B[1]	2	22%	4	44%	3	33%	0	0%	9
Both ZPICs	**2**	**4%**	**32**	**63%**	**14**	**27%**	**3**	**6%**	**51**

Source: OIG analysis of ZPICs' Benefit Integrity workload data, February 1 through October 31, 2009.
[1] Percentages across the row do not total 100 percent because of rounding.

Table B-3: Types and Percentages of Potential Fraud and Abuse Involved With ZPICs' New Investigations and New Case Referrals

Types of Potential Fraud and Abuse	Percentage of Total New Investigations	Percentage of Total New Case Referrals
Billing for services not furnished or supplies not provided	32%	26%
Aberrant billing patterns—e.g., pattern of overutilization of services or outlier payments	18%	8%
Vacant supplier location or shell provider	12%	18%
Billing for medically unnecessary services or supplies	11%	19%
Utilizing compromised or stolen beneficiary health insurance claim numbers or provider identification numbers	10%	18%
Schemes of collusion—e.g., soliciting, offering, or receiving a kickback, bribe, or rebate	6%	1%
Misrepresenting the beneficiary's condition or billing for services for beneficiaries who do not meet Medicare coverage guidelines	4%	9%
Misclassifications of Diagnosis-Related Groups	3%	0%
Altering medical documentation or claim forms	1%	3%
Other	4%	0%
Total	**100%[1]**	**100%[1]**

Source: OIG analysis of ZPICs' survey response for first year of operation.
[1] Percentages do not total 100 percent because of rounding.

ZPICs' Utilization of External and Proactive Methods

ZPICs are required to pursue leads from both proactive methods and external sources to address potential fraud and abuse. Proactive methods include, but are not limited to, data analysis and reviewing the Fraud Investigation Database, the Internet, and news media. Fraud leads from external sources include, but are not limited to, law enforcement referrals; Centers for Medicare & Medicaid Services (CMS) referrals; and beneficiary complaints, including those received from the affiliated contractor/Medicare administrative contractor (AC/MAC) complaint unit. According to CMS's *Medicare Program Integrity Manual* (PIM), ZPICs' ability to make use of available data and apply innovative analytical methodologies is critical to their success as benefit integrity contractors.

Table B-4 shows the extent to which ZPICs used external sources and proactive methods to generate investigations during their first year of operation. Table B-5 shows the extent to which ZPICs used external sources and proactive methods to generate cases during their first year of operation. Table B-6 provides examples of proactive data analysis and other proactive methods used by ZPICs during their first year of operation.

Table B-4: New ZPIC Investigations by Source Used To Initiate the Investigation

	External Source		Proactive Method		
	Number	Percentage	Number	Percentage	Total
ZPIC A	312	77%	92	23%	404
ZPIC B	2,305	96%	104	4%	2,409
Both ZPICs	**2,617**	**93%**	**196**	**7%**	**2,813**

Source: OIG analysis of ZPICs' Benefit Integrity Workload data, February 1 through October 31, 2009.

Table B-5: New ZPIC Case Referrals by Source Used To Initiate the Case

	External Source		Proactive Method		
	Number	Percentage	Number	Percentage	Total
ZPIC A	19	45%	23	55%	42
ZPIC B	4	44%	5	56%	9
Both ZPICs	**23**	**45%**	**28**	**55%**	**51**

Source: OIG analysis of ZPICs' Benefit Integrity workload data, February 1 through October 31, 2009.

Table B-6: Examples of Proactive Data Analysis and Other Proactive Methods Used by One or Both ZPICs

Proactive Data Analysis
• Review of billing patterns to identify spikes in providers' billing patterns or to determine the top billing providers for particular specialties
• Comparison of billings within a specialty or across the country related to particular procedure codes
• Review of data to identify hospices in which a large percentage of Medicare patients were in hospice care for an unusually long period
• Identification of beneficiaries who received an excessive number of episodes of home health benefits
• Identification of Medicare beneficiaries who resided at an unusually long distance from the address of the DME supplier
• Cross-referencing of the top 10 billers in Part A, Part B, DME, and home health
• Verification that beneficiary had a diagnosis related to limb amputation for suppliers billing for prosthetic devices
• Identification of Medicare providers who were on State lists of physicians with suspended licenses
• Review of services for inpatient stays with the same admission and discharge dates
• Identification of claims for ambulance services with no associated services
Other Proactive Methods
• Attendance at meetings with Program Safeguard Contractors, ZPICs, and MACs to discuss new trends and identify potentially fraudulent providers or suppliers
• Review of news articles to identify any arrested individuals, followed by a determination of whether the identified individuals were Medicare providers
• Visits with doctors who were beyond a certain age to verify that they were still practicing medicine

Source: OIG analysis of ZPICs' survey responses, 2010.

ZPICs' Activities Relating to Requests for Information

ZPICs may be asked to provide beneficiary records or provider data to OIG, the Department of Justice (DOJ), or other entities that identify and investigate fraud. ZPICs are responsible for responding to these requests for information and data analysis. Timeframes for responding to requests from OIG and DOJ generally fall into one of two categories: Priority I and Priority II. Priority I requests are top priority and are required to be fulfilled within 30 days. Priority II requests are less critical and are required to be fulfilled within 45 days. According to the PIM, if the requests require that ZPICs access claims history data using Data Extract Software (DESY), the Priority I 30-day and Priority II 45-day timeframes do not apply.

Methodology for determining timeliness of ZPICs' response to requests for information. We utilized information in the ZPICs' quarterly Requests for Information reports and the workload narratives to determine the number of OIG and DOJ Priority I and Priority II requests received and completed. To determine timeliness, we calculated the percentage of completed requests that exceeded the 30- and 45-day timeframes. We excluded requests from our calculations if they indicated that they required DESY access, because the timeliness timeframes do not apply to these requests. The quarterly reports for ZPIC A included a separate category for requests that required DESY access; quarterly reports for ZPIC B did not. Therefore, we needed to rely solely on the comments in the workload narratives for ZPIC B to determine whether the requests required DESY access. However, because this ZPIC's narratives may not have identified all DESY requests, our calculations may have included some requests that required DESY access.

Table B-7 presents the total number of requests for information received by the ZPICs during their first year of operation by the source of the request. Table B-8 shows the results of our analysis of the timeliness of ZPICs' response to OIG and DOJ requests.

Table B-7: Requests for Information Received by ZPICs

	OIG/DOJ	Other Entities	Total
ZPIC A	441	75	516
ZPIC B	429	8	437
Both ZPICs	**870**	**83**	**953**

Source: OIG analysis of ZPICs' Requests for Information workload data, February 1 through October 31, 2009.

Table B-8: Timeliness of ZPICs' Completion of OIG and DOJ Requests for Information

	Percentage of Priority I Requests That Exceeded 30-Day Timeframe	Percentage of Priority II Requests That Exceeded 45-Day Timeframe
ZPIC A	10%	28%
ZPIC B	34%	19%
Both ZPICs	**23%**	**23%**

Source: OIG Analysis of ZPICs' Requests for Information quarterly reports and monthly Requests for Information narratives, February 1 through October 31, 2009.

ZPICs' Overpayments and Other Administrative Actions

ZPICs must take administrative action to prevent and recover inappropriate payments. Administrative actions include referrals to the AC/MAC for recovery of overpayments, referrals to CMS for recommended payment suspension, referrals to the AC/MAC for recommended autodenial or prepayment review edits, referrals to OIG for exclusions, and referrals to CMS or OIG for imposition of civil monetary penalties.

According to the PIM, ZPICs should initially consider less severe administrative actions, such as recovery of overpayments and suspension of payments, before making referrals for exclusions or civil monetary penalties.

Table B-9 provides the number and percentage of ZPICs' overpayment dollars associated with investigations and cases that were referred to the AC/MAC for different types of Medicare services. Table B-10 indicates the percentage of ZPICs' overpayment dollars referred that were recovered by the AC/MACs. Table B-11 presents workload data regarding the extent to which ZPICs took other administrative actions and provides information regarding administrative actions described by ZPICs in response to our survey.

Table B-9: Overpayments Associated With Investigations and Cases That Were Referred to AC/MACs for Different Service Types

	Part A		Part B		DME		HH&H		
	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage	Total
ZPIC A[1]	$0	0%	$19,505,031	90%	$1,488,324	7%	$722,730	3%	$21,716,085
ZPIC B[2]	$8,650,607	16%	$6,404,642	12%	$1,298,623	2%	$36,201,484	69%	$52,555,356
Both ZPICs[2]	**$8,650,607**	**12%**	**$25,909,673**	**35%**	**$2,786,947**	**4%**	**$36,924,214**	**50%**	**$74,271,441**

Source: OIG analysis of CMS's Benefit Integrity workload data, February 1 through October 31, 2009.

[1] In response to our survey question that asked ZPICs to describe any issues with their referrals of overpayments to the AC/MACs, ZPIC A noted an issue with its Part A hospital overpayment referrals. The ZPIC stated that it suspended referrals for overpayment collection because the MAC would not process the overpayments that were extrapolated by calendar year. The MAC requested that the overpayments be extrapolated by cost report year, which, in turn, required the ZPIC to reduce the value of the overpayments to the actual amount identified. Given that the Part A dollars referred by ZPIC A is $0, it is possible that the ZPIC referred the reduced overpayment amounts to the MAC after our timeframe.

[2] Percentages across the row do not total 100 percent because of rounding.

Table B-10: Overpayments Associated With Investigations and Cases That Were Referred to and Recovered by AC/MACs

	Number of Actions	Total Dollars Referred	Total Dollars Recovered	Percentage Recovered
ZPIC A	35	$21,716,085	$5,789,798	27%
ZPIC B	52	$52,555,356	$3,713,692	7%
Both ZPICs	**87**	**$74,271,441**	**$9,503,490**	**13%**

Source: OIG analysis of ZPIC survey responses and CMS's Benefit Integrity Workload data, February 1 through October 31, 2009.

Table B-11: Administrative Actions Initiated by ZPICs

	ZPIC A	ZPIC B	Both ZPICs
Payment Suspensions Submitted to CMS[1]	13	13	26
Payment Suspensions Denied by CMS	0	1	1
Providers Referred to OIG for Exclusion[2]	0	0	0
Providers Referred to CMS or OIG for Civil Monetary Penalties[2]	0	0	0
New Autodeny Edits Recommended[3]	0	3	3
Prepay Claims Denied	40,601	42,012	82,613
Dollar Amount of Prepay Claims Denied	$20 million	$12 million	$32 million

Source: OIG analysis of CMS's Benefit Integrity workload data, February 1 through October 31, 2009.

[1]ZPIC A noted that it required some training from CMS to ensure it provided the necessary information and handled the suspensions correctly. ZPIC B noted that it needed to receive authorization from CMS before the payment suspension could be implemented and that there have been instances in which authorization was not provided timely and the provider was issued the money. ZPIC B reported that it has worked with CMS to take steps to achieve a faster suspension approval time.

[2]One ZPIC noted that very few of these actions have been referred for many years.

[3]ZPIC A described a barrier to tracking the savings from autodeny edits. The ZPIC explained that no report is available from the MACs to enable the ZPIC to identify the savings resulting from autodeny edits. ZPIC B reported that its concern with autodeny edits is the ability of the MAC to implement the edits because of system limitations.

► A P P E N D I X ~ C

Agency Comments

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

DATE: SEP 3 0 2011

TO: Daniel R. Levinson
Inspector General

FROM: Donald M. Berwick, M.D. /S/
Administrator

SUBJECT: Office of Inspector General (OIG) Draft Report: "Zone Program Integrity
Contractors' Data Issues Hinder Effective Oversight" (OEI-03-09-00520)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and
comment on the Office of Inspector General (OIG) draft report entitled, "Zone Program Integrity
Contractors' Data Issues Hinder Effective Oversight." The purpose of this report was to assess
CMS' oversight of the Zone Program Integrity Contractors (ZPIC), understand the extent to
which ZPICs performed program integrity activities, determine the extent to which CMS uses
program integrity workload statistics in ZPIC performance evaluations, and to identify any
barriers encountered by ZPICs in performing their Medicare program integrity activities.

In 2008, CMS embarked on a new program integrity strategy by replacing Program Safeguard
Contractors (PSCs) with ZPICs, which will perform Parts A and B program integrity work in
seven newly established geographical zones. This new strategy will result in new jurisdictions
with responsibility for all four claim types: Part A, Part B, durable medical equipment (DME),
and home health and hospice (HH&H). As of August 2011, CMS has awarded six of the seven
ZPIC contracts. However, the most recent award is currently under protest; therefore, only five
of the seven ZPICs are fully operational at this time.

The OIG's report was limited to the first two ZPIC awards, Zones 4 and 7, because they were the
only ZPICs that had completed a full contract year at the time of the OIG's report. CMS concurs
with some of the findings that OIG identified in this report and has taken measures to address
these issues. These include having the CMS Analysis, Reporting, and Tracking System (CMS
ARTS) contractor fix the errors in the formulas for the total number of new investigations
originating from reactive sources and the total number of cases referred originating from reactive
sources.

The OIG also indicated that CMS' performance evaluations of ZPICs contained few workload
statistics. CMS has determined that workload statistics are not the most accurate measure of
performance evaluations, because the contractors do not have control over the workload assigned
to them. Instead, CMS uses many other deliverables in the CMS ARTS, such as the monthly

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cost reports, updates to joint operating agreements, and the timeliness of all deliverables. The quality of the work performed by the ZPICs, rather than the volume, is a key part of performance evaluations. CMS would welcome the opportunity to meet with OIG to discuss any particular workload statistics that OIG believes would directly relate to the performance of the ZPICs.

In addition, CMS has worked diligently to ensure that all ZPICs have the access to required data that will allow them to perform program integrity activities. This is a standard part of CMS' transition/implementation of any new ZPIC.

We appreciate OIG's efforts in working with CMS to identify potential barriers to detecting and deterring fraud, waste, and abuse. Our response to each of the OIG recommendations follows.

OIG Recommendation

The CMS should clarify the workload definitions in CMS ARTS to ensure that ZPICs' workload statistics are accurate and that ZPICs report their data uniformly.

CMS Response

The CMS has already complied with this recommendation and believes that should be noted in the report or the recommendation removed. The period in which OIG conducted this review was the initial period for one of the ZPICs, and there were some early misunderstandings. However, this has since been clarified and is no longer an issue. CMS believes that the definitions are now written clearly, and the ZPICs and their respective contract officer technical representatives (COTR) work closely together to ensure that all reporting reflects the correct information. Each ZPIC has a comprehensive dictionary of the definitions for each data element in CMS ARTS, and the template used to enter this data also indicates the definitions when the cursor is placed in the entry field.

OIG Recommendation

The CMS should improve oversight of ZPICs by performing a timely review of data in CMS ARTS for each ZPIC and across ZPICs to detect any anomalies in workload reporting.

CMS Response

The CMS concurs with the first part of the recommendation. CMS has refocused COTR efforts in the past year to ensure timely evaluations of these contractors. In addition, CMS has uniform templates (*The Control Objective and Findings Tables* and *The Record of Evaluation*) for COTRs to follow when evaluating the ZPICs. CMS has also developed a monthly dashboard of key statistical indicators reported in CMS ARTS. The following data elements are included in the dashboard:

> **Number of Open Investigations**
> **Number of Open Cases**

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Complaints and Leads from:
  MAC Medical Review Unit
  MAC Complaint Unit
  Other (Field Offices, Other ZPICs, etc.)
Administrative Actions including:
  Number of On-sites Performed
  Number of Providers on Prepay Medical Review
  Number of Prepay Claims Denied
  Number of Providers under a Payment Suspension
  Number of Revocations Implemented
PSC/ZPIC Savings Reported:
  Amount Referred to MAC for Overpayment Collection
  Amount Recovered for Overpayment by the MAC
  Percentage of Overpayments Recouped
  Amount Associated with Cases Referred to LE
  Amount Associated with Court Determined Fines
  Settlements and/or Restitutions
  Amount of Prepay Claims Denied
  Amount of PSC Recommended Auto Denial Edits
  Amount in Payment Suspension
Total Savings

The CMS does not concur with the second part of the recommendation. The realignment of the ZPICs with the new Medicare Administrative Contractor (MAC) jurisdictions and the new strategy of each ZPIC having jurisdiction for all claim types within their Zone provides many advantages and efficiencies. However, this does not make it possible to compare the Zones to one another based on the workload statistics reported in CMS ARTS. Anomalies cannot be detected across ZPICs due to the differences in the fraud landscapes between the seven ZPICs, the presence of Health Care Fraud Prevention and Enforcement Action Team (HEAT) Strike Forces, and other special initiatives.

OIG Recommendation

The CMS should utilize and report ZPIC workload statistics in ZPIC evaluations.

CMS Response

The CMS partially concurs with this recommendation and will consider including workload statistics for future evaluations, if appropriate. CMS would welcome the opportunity to meet with OIG to discuss any particular workload statistics that OIG believes would directly relate to the performance of the ZPICs.

The CMS cannot evaluate a ZPIC based on the number or percentage of investigations or cases that were initiated as a result of proactive methods, the number of overpayment actions initiated, the associated overpayment dollars referred, etc., because these data can vary widely from month to month and are not a good indicator of performance since these measures are not within the

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control of the ZPIC. The number of investigations is not necessarily indicative of good performance, it is merely indicative of the number of investigations underway. Moreover, the high-risk zones (i.e., zones with higher risk of fraud) have a higher workload than the non-high-risk zones. Rather, assessment of the quality of the investigations performed and cases referred, along with review of the associated documentation, are a part of the ZPIC performance evaluations and can be objectively measured. CMS looks at administrative actions taken by each ZPIC to determine whether such actions were appropriate and handled swiftly.

OIG Recommendation

The CMS should ensure that ZPICs have access to all data necessary to effectively carry out their program integrity activities.

CMS Response

The CMS concurs with this recommendation. The currently awarded ZPIC Statements of Work require ZPICs to have access to daily downloads of shared system claims data from their respective Enterprise Data Centers. Also, as a standard part of CMS' transition/implementation of a new ZPIC, CMS uses checklists to ensure that the ZPIC has the data necessary to effectively carry out its program integrity activities.

The CMS believes an efficient and effective workaround was developed for every problem encountered regarding access to data identified in this study. For example, when one outgoing PSC was not able to provide the ZPIC claims data in a usable format, CMS expeditiously arranged for the ZPIC to otherwise access the claims data.

Again, we appreciate the opportunity to comment on this draft report and look forward to working with OIG on this and other issues.

◤ A C K N O W L E D G M E N T S

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