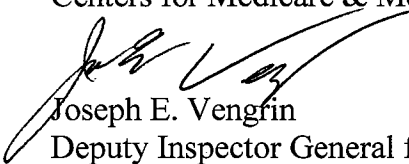




MAR -4 2009

**TO:** Charlene Frizzera  
Acting Administrator  
Centers for Medicare & Medicaid Services

**FROM:**   
Joseph E. Vengrin  
Deputy Inspector General for Audit Services

**SUBJECT:** Review of Medicare Payments to Managed Care Plans on Behalf of Deceased Enrollees (A-07-07-01046)

The attached final report provides the results of our review of Medicare payments to managed care plans on behalf of deceased enrollees.

The Balanced Budget Act of 1997, Public Law 105-33, established Medicare Part C, which offers Medicare beneficiaries managed care options for health care coverage. Section 201 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 revised Medicare Part C and established the Medicare Advantage program.

The Centers for Medicare & Medicaid Services (CMS) makes payments at the beginning of each month to Medicare Advantage organizations for medical services provided to individuals enrolled in Medicare Advantage plans. After an enrollee dies, the last allowable payment is for the month in which the enrollee died. CMS has systems that identify deceased enrollees to initiate disenrollment and prevent improper payments made to Medicare Advantage organizations for the months following the enrollees' deaths. For the period January 2003 through April 2007, approximately 1.7 million Medicare enrollees (as identified on the Social Security Administration's (SSA) systems) who had at some point been enrolled in a Medicare Advantage organization died.

Our objective was to determine whether CMS made payments on behalf of deceased Medicare enrollees to Medicare Advantage organizations for coverage periods after the enrollees' months of death.

CMS made approximately \$4.4 million of unallowable payments on behalf of deceased Medicare enrollees to Medicare Advantage organizations for coverage periods after the enrollees' months of death. CMS made improper payments for 2,657 of the 1.7 million deceased enrollees (far less than 1 percent of the enrollees who died). SSA had categorized these enrollees as deceased as of June 1, 2007. As of September 2007, \$4,414,643 in improper payments remained uncollected.

Although CMS had correctly stopped payments for the vast majority of the deceased enrollees, its systems did not identify and prevent all of the improper payments.

We recommend that CMS:

- recoup the \$4,414,643 in payments for deceased Medicare enrollees, based on the information relayed in this report, and
- implement system enhancements to prevent and detect improper payments in the future.

In written comments on our draft report, CMS stated that it concurred with our recommendations. However, with respect to our first recommendation, CMS said that it had recovered \$3,500,185 in payments but would not recoup the full \$4,414,643 because “. . . CMS does not adjust plan payments more than three years after CMS is made aware that there is an issue that may require a payment adjustment.” With respect to our second recommendation, CMS said that it had two procedures in place designed to prevent improper payments and, in response to our request, separately provided detailed descriptions of the procedures.

We continue to recommend that CMS recoup the full \$4,414,643. After reviewing the detailed descriptions of CMS’s procedures, we revised our second recommendation.

Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

Please send us your final management decision, including any action plan, as appropriate, within 60 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 e-mail at [George.Reeb@oig.hhs.gov](mailto:George.Reeb@oig.hhs.gov). Please refer to report number A-07-07-01046 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF  
MEDICARE PAYMENTS TO  
MANAGED CARE PLANS  
ON BEHALF OF  
DECEASED ENROLLEES**



Daniel R. Levinson  
Inspector General

March 2009  
A-07-07-01046

# ***Office of Inspector General***

<http://oig.hhs.gov>

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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 and 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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## **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**

Medicare Part C offers Medicare beneficiaries managed care options for health care coverage. Title II of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 revised Medicare Part C and established the Medicare Advantage program.

The Centers for Medicare & Medicaid Services (CMS) makes payments at the beginning of each month to Medicare Advantage organizations for medical services provided to individuals enrolled in Medicare Advantage plans. After an enrollee dies, the last allowable payment is for the month in which the enrollee died. CMS has systems that identify deceased enrollees to initiate disenrollment and prevent improper payments made to Medicare Advantage organizations for the months following the enrollees' deaths.

For the period January 2003 through April 2007, approximately 1.7 million Medicare enrollees (as identified on the Social Security Administration's (SSA) systems) who had at some point been enrolled in a Medicare Advantage organization died.

### **OBJECTIVE**

Our objective was to determine whether CMS made payments on behalf of deceased Medicare enrollees to Medicare Advantage organizations for coverage periods after the enrollees' months of death.

### **SUMMARY OF FINDING**

CMS made approximately \$4.4 million of unallowable payments on behalf of deceased Medicare enrollees to Medicare Advantage organizations for coverage periods after the enrollees' months of death. CMS made improper payments for 2,657 of the 1.7 million deceased enrollees (far less than 1 percent of the enrollees who died). SSA had categorized these enrollees as deceased as of June 1, 2007. As of September 2007, \$4,414,643 in improper payments remained uncollected. Although CMS had correctly stopped payments for the vast majority of the deceased enrollees, its systems did not identify and prevent all of the improper payments.

### **RECOMMENDATIONS**

We recommend that CMS:

- recoup the \$4,414,643 in payments for deceased Medicare enrollees, based on the information relayed in this report, and
- implement system enhancements to prevent and detect improper payments in the future.

## **CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS**

In written comments on our draft report, CMS stated that it concurred with our recommendations. However, with respect to our first recommendation, CMS said that it had recovered \$3,500,185 in payments but would not recoup the full \$4,414,643 because “. . . CMS does not adjust plan payments more than three years after CMS is made aware that there is an issue that may require a payment adjustment.” With respect to our second recommendation, CMS said that it had two procedures in place designed to prevent improper payments and, in response to our request, separately provided detailed descriptions of the procedures.

CMS’s comments, excluding technical comments, are included as the Appendix.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

We continue to recommend that CMS recoup the full \$4,414,643. After reviewing the detailed descriptions of CMS’s procedures, we revised our second recommendation.

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# INTRODUCTION

## BACKGROUND

### Medicare Advantage Program

The Balanced Budget Act of 1997<sup>1</sup> established Medicare Part C, which offers Medicare beneficiaries managed care options through the Medicare+Choice program. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003<sup>2</sup> revised Medicare Part C and renamed the Medicare+Choice program the Medicare Advantage program. Entities that provide the Medicare-covered services to Part C enrollees are called Medicare Advantage organizations. The law permits beneficiaries to receive health care coverage from Medicare Advantage plans (such as, for example, health maintenance organizations, preferred provider organizations, and provider-sponsored organizations) offered by Medicare Advantage organizations.

The Centers for Medicare & Medicaid Services (CMS) makes payments at the beginning of each month to Medicare Advantage organizations for medical services provided to individuals enrolled in Medicare Advantage plans. (Because each Medicare Advantage organization can offer more than one plan to its enrollees, this report refers to beneficiary enrollment in the context of Medicare Advantage organizations instead of their individual plans.) The amount of the payments may be different for each enrollee. To calculate the payment, CMS uses a process that incorporates each enrollee's demographic and health status information. CMS calculates the payment with the most current information available when it makes payments to the Medicare Advantage organizations. If CMS receives demographic or health status information that would either increase or decrease the previous monthly payments, it makes retroactive adjustments to correct the payment level. CMS adjusts the payments monthly, as necessary, on both a prospective basis and a retrospective basis to the beginning of the year. Thus, CMS routinely makes multiple payment adjustments after the initial payment for Medicare enrollees.

Pursuant to Federal regulations, after an enrollee dies, the last allowable payment is for the month in which the enrollee died. For deceased enrollees, CMS makes adjustments to correct the payment levels for the months in which the individual had, before his or her death, been enrolled in the Medicare Advantage organization. CMS also retroactively recoups any payments made to Medicare Advantage organizations on the behalf of deceased enrollees for the months after the enrollees' deaths.

### Disenrollment From Medicare Advantage Organizations for Deceased Enrollees

The Social Security Administration (SSA) is CMS's primary source of information about deceased enrollees. To identify these deceased individuals, CMS's Enrollment Database (EDB) interfaces with SSA's systems. CMS then records the date of death into a database table that is a

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<sup>1</sup>The Balanced Budget Act of 1997, P.L. No. 105-33, § 4001 (codified at Social Security Act §§ 1851–1859, 42 U.S.C. §§ 1395w-21–1395w-28).

<sup>2</sup>The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173, Title II.

part of CMS's Common Tables data structure. The date of death is then accessible by several applications, including the EDB, the Medicare Beneficiary Database (MBD), the Medicare Advantage and Prescription Drug (MARx) system, and the Common Working File.<sup>3</sup> These applications interact to process the disenrollment for a deceased enrollee.

The EDB is CMS's system of record—its authoritative source of Medicare entitlement information for the entire population of past and present Medicare beneficiaries. The MARx application is the system of record that maintains information as to when Medicare beneficiaries enroll in or disenroll from a Medicare Advantage program. Both the entitlement information and the managed care enrollment periods are contained within the Common Tables data structure. As dates of death are posted to the Common Tables data store, the MBD output provides the information to the MARx system, which is used to process all enrollment in and disenrollment from the Medicare Part C program.<sup>4</sup> The MARx system also contains the related payment history, including adjustments, that shows the specific months for which CMS made a payment to a Medicare Advantage organization for each enrollee.

Thus, when a date of death is posted into the Common Tables database table (via the EDB's interface with SSA), the MBD output notifies the MARx system of the date of death, and the MARx system will disenroll the beneficiary from the Medicare Advantage organization at the end of the month in which the death occurred. The payments, including adjustments that CMS made on behalf of the deceased enrollee both for the periods before and after the enrollee died, are included in the MARx system. This process allows CMS to prevent and, if necessary, recoup payments made to Medicare Advantage organizations for the months following an enrollee's death.

For the period January 2003 through April 2007, approximately 1.7 million Medicare enrollees who had at some point been enrolled in a Medicare Advantage organization died.<sup>5</sup>

### **Previous Audit Report**

We issued a report to CMS in May 2001 (A-07-99-01298) identifying \$3.2 million of improper payments for deceased enrollees who had been enrolled in Medicare managed care organizations. We recommended that CMS recoup the \$3.2 million of improper payments.

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<sup>3</sup>The Common Working File is CMS's system that fiscal intermediaries and carriers use to process fee-for-service claims.

<sup>4</sup>The MARx system also processes enrollment/disenrollment transactions for the Medicare Part D program. We are auditing payments made after the month of death of Medicare beneficiaries in the Part D program as part of a separate audit (A-05-08-00047).

<sup>5</sup>Although all of these individuals had been enrolled in a Medicare Advantage organization for at least 1 month before their deaths, some of them may have disenrolled and switched to traditional Medicare (fee-for-service) before they died.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether CMS made payments on behalf of deceased Medicare enrollees to Medicare Advantage organizations for coverage periods after the enrollees' months of death.

### **Scope**

Our audit included Medicare Part C payments made during January 2006 through September 2007 for approximately 1.7 million Medicare Advantage organization enrollees who, according to SSA, died between January 1, 2003, and April 30, 2007. These enrollees either were or had been enrolled in a Medicare Advantage organization.<sup>6</sup> For purposes of this audit, we considered an improper payment to be a payment that CMS (1) made to a Medicare Advantage organization for coverage in months after an enrollee's month of death and (2) did not fully recoup and that therefore (as of September 2007) remained uncollected.

We reviewed the internal controls at CMS to the extent necessary to accomplish the audit objective. To identify any improper payments, we relied on the accuracy and completeness of the information contained in the CMS databases discussed earlier. Accordingly, we did not review or test the accuracy or completeness of those databases.

We performed our fieldwork at the Jefferson City, Missouri, and Kansas City, Missouri, field offices during December 2007.

### **Methodology**

To accomplish our objective:

- We reviewed Federal regulations and CMS's policies and procedures for payments on behalf of Medicare beneficiaries enrolled in Medicare Advantage organizations.
- We identified enrollees:
  - who, according to SSA's computer database systems as of June 1, 2007, died between January 1, 2003, and April 30, 2007;
  - who, according to CMS's EDB, either were or had been enrolled in a Medicare Advantage organization; and

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<sup>6</sup>Our review included payments made for individuals enrolled in the Programs of All-Inclusive Care for the Elderly (PACE), which is an optional benefit under both Medicare and Medicaid that, in specific geographic areas, provides comprehensive medical and social services to the elderly. Although PACE is a separate program from the Medicare Advantage program, it employs a similar payment methodology pursuant to 42 CFR §§ 460.180(a) and 460.180(b)(7). Accordingly, for purposes of this audit, the approximately 1.7 million individuals whom we identified as deceased Medicare Advantage organization enrollees include some deceased Medicare PACE enrollees.

- for whom CMS made payments to a Medicare Advantage organization for 1 or more months after the enrollee died, as shown on the MARx system during the period January 2006 through September 2007 (the most recent information available at the time we performed our data match).<sup>7</sup>
- We verified the enrollees' dates of death by comparing data from SSA's systems to data, as of April 1, 2008, from either the EDB or the Common Working File.
- We used the MARx system to calculate, for each of the enrollees for whom payments (including adjustments) were made for coverage in months after the enrollee died, the total amount of improper payments made to Medicare Advantage organizations.
- We discussed the results of our review with CMS officials and provided them with spreadsheets that identified each of the improper payments.

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**

CMS made approximately \$4.4 million of unallowable payments on behalf of deceased Medicare enrollees to Medicare Advantage organizations for coverage periods after the enrollees' months of death. CMS made improper payments for 2,657 of the 1.7 million deceased enrollees (far less than 1 percent of the enrollees who died). SSA had categorized these enrollees as deceased as of June 1, 2007. As of September 2007, \$4,414,643 in improper payments remained uncollected. Although CMS had correctly stopped payments for the vast majority of the deceased enrollees, its systems did not identify and prevent all of the improper payments.

### **PAYMENTS FOR DECEASED MEDICARE ENROLLEES**

#### **Federal Requirements**

Pursuant to Federal requirements (42 CFR § 422.74(d)(6)): "If the [Medicare Advantage enrollee] dies, disenrollment is effective the first day of the calendar month following the month of death."<sup>8</sup> Therefore, the last allowable payment on behalf of an enrollee who has died is for the month in which the enrollee died.

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<sup>7</sup>These payment files included retroactive adjustments that extended back to January 2003 and continued through September 2007.

<sup>8</sup>For PACE enrollees, Federal requirements (42 CFR § 460.160(a)) provide that "[e]nrollment continues until the participant's death . . . ."

## Improper Payments

CMS improperly made payments to Medicare Advantage organizations for 2,657 deceased enrollees. CMS's systems are designed to interact with SSA systems each month to identify deceased enrollees. Nevertheless, some of the enrollees who died during the period of January 2003 through April 2007 and on whose behalf payments were made had been deceased for at least 2 years, as depicted in the following table:

**Deceased Beneficiaries With Uncollected Improper Payments  
as of September 2007**

<b>Year of Enrollee's Death</b>	<b>Number of Enrollees</b>
2003	54
2004	823
2005	242
2006	1,476
2007	62
<b>Total</b>	<b>2,657</b>

Each of these enrollees was categorized as deceased in SSA's computer database systems as of June 1, 2007. As of September 2007, CMS's payment systems showed \$4,414,643 in improper payments to the Medicare Advantage organizations that remained uncollected.<sup>9</sup>

Our analysis of the payment files also found that CMS made several adjustments to recoup payments made incorrectly after the months in which the enrollees died. Specifically, CMS either made the correct payments or appropriately recovered payments in well over 99 percent of the instances in which the Medicare enrollees died.

We have provided CMS officials with copies of payment records for each of the 2,657 enrollees identified in this report.

## RECOMMENDATIONS

We recommend that CMS:

- recoup the \$4,414,643 in payments for deceased Medicare enrollees, based on the information relayed in this report, and
- implement system enhancements to prevent and detect improper payments in the future.

## CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS

In written comments on our draft report, CMS stated that it concurred with our recommendations. However, with respect to our first recommendation, CMS said that it had

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<sup>9</sup>This amount included \$145,007 in improper payments to PACE organizations that remained uncollected.

recovered \$3,500,185 in payments but would not recoup the full \$4,414,643 because “. . . CMS does not adjust plan payments more than three years after CMS is made aware that there is an issue that may require a payment adjustment.”

With respect to our second recommendation, CMS said that it had two procedures in place: a new monthly check for the date of death before the MARx system calculates plan payments and an ongoing check for the date of death as part of the prospective payment validation process. In response to our request, CMS separately provided detailed descriptions of its procedures designed to prevent improper payments.

CMS also provided technical comments, which we addressed as appropriate. CMS’s comments, excluding technical comments, are included as the Appendix.

### **OFFICE OF INSPECTOR GENERAL RESPONSE**

CMS made the payments that we are questioning between January 2006 and September 2007, and we informed CMS of this issue during 2008. Therefore, CMS was aware of the need to adjust the payments less than 3 years ago. Further, CMS did not provide evidence that the \$914,458 balance was not owed to the Medicare program under policy, regulation, or law. We continue to recommend that CMS recoup the full \$4,414,643.

After reviewing the detailed descriptions of CMS’s procedures, we revised our second recommendation.

# **APPENDIX**



DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Centers for Medicare &amp; Medicaid Services

200 Independence Avenue SW  
Washington, DC 20201

DATE: NOV 07 2008

TO: Daniel R. Levinson  
Inspector General

FROM: Kerry Weems  
Acting Administrator

SUBJECT: Office of Inspector General (OIG) Draft Report: "Review of Medicare Payments to Managed Care Plans on the Behalf of Deceased Enrollees" (A-07-07-01046)

2008 NOV 10 PM 3:06  
OFFICE OF INSPECTOR GENERAL  
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Thank you for the opportunity to review and comment on the OIG's draft report entitled "Review of Medicare Payments to Managed Care Plans on the Behalf of Deceased Enrollees (A-07-07-01046)". CMS concurs with the recommendations set out in the report.

The OIG concluded that only \$4.4 million of a total payment amount of approximately \$219 billion, or approximately .002%, of payments were erroneously paid for deceased beneficiaries. The issue identified in the report was due to the implementation of a new database. Furthermore, CMS has already recouped \$3.5 million of erroneous payments. During the implementation of the new database there was an issue that affected the communication of date of death information between the applicable systems prior to plan payment calculation in CMS's Medicare Advantage-Prescription Drug System (MARx). Many steps have been taken to resolve this issue.

#### OIG Recommendation

The OIG recommends that CMS recoup the \$4,414,643 in payments for deceased Medicare enrollees identified in this report.

#### CMS Response

CMS has been aware that there is an issue with communicating the date of death to the MARx payment system and, as stated above, has recovered \$3,500,185 in erroneous payments. CMS will not recoup the full \$4.4 million for deceased enrollees identified in this report because, in an effort to close out past plan years and to use CMS's limited resources in the most effective manner, CMS does not adjust plan payments more than three years after CMS is made aware that there is an issue that may require a payment adjustment.



Page 2 – Daniel R. Levinson

**OIG Recommendation**

The OIG recommends periodic review, on a post-payment basis, of the dates of death received from SSA to detect and recover any improper payments.

**CMS Response**

The CMS has two procedures in place, a new systems check and an ongoing validation check. For the new systems based check, CMS will require that the MARx payment system incorporate a monthly check for the date of death prior to each payment run. CMS has a validation check in place that is a parallel beneficiary-level payment validation process that has a check for the date of death as part of the prospective payment validation process.