DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

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TO: Timothy B. Hill
Chief Financial Officer
Centers for Medicare & Medicaid Services

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

SUBJECT: Oversight and Evaluation of the Fiscal Year 2006 Comprehensive Error Rate Testing Program (A-03-06-00011)

The attached final report provides the results of our oversight and evaluation of the fiscal year (FY) 2006 Comprehensive Error Rate Testing (CERT) program. The Centers for Medicare & Medicaid Services (CMS) developed the CERT program to establish the Medicare fee-for-service paid claims error rate for all provider claims other than inpatient acute-care and long-term care hospital claims. CMS includes the CERT results in its annual report on erroneous Medicare payments required by the Improper Payments Information Act of 2002 (Public Law 107-300).

During FY 2006, AdvanceMed served as the CERT medical review contractor, and Livanta served as the documentation contractor. For a sample of claims, AdvanceMed reviewed the medical records that Livanta obtained from health care providers.

The objectives of our FY 2006 audit were to determine (1) whether CMS ensured that its two CERT contractors had appropriate controls to ensure that medical and quality assurance reviews and initial and follow-up document requests followed established procedures and operated effectively, (2) the status of initiatives to reduce the CERT error rate that CMS proposed in its November 2005 "Improper Fee-for-Service Payments Long Report," and (3) whether CMS took appropriate action on the recommendations in our FY 2005 audit report.

CMS ensured that AdvanceMed had appropriate controls to ensure that medical and quality assurance reviews were in accordance with established procedures and that it adequately maintained, updated, and reported the results of those reviews. CMS also ensured that Livanta had appropriate controls to ensure that medical documentation was properly received, controlled, and provided to AdvanceMed and that Livanta followed up with providers when medical records were not received promptly.

In addition, CMS advised us that it had performed several tasks to accomplish its initiatives to reduce the CERT error rate. Finally, CMS took appropriate action on the recommendations in our FY 2005 audit report.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Financial Management and Regional Operations, at (202) 619-1157 or through e-mail at Lori.Pilcher@oig.hhs.gov. Please refer to report number A-03-06-00011.

Attachment

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

OVERSIGHT AND EVALUATION OF THE FISCAL YEAR 2006 COMPREHENSIVE ERROR RATE TESTING PROGRAM

Daniel R. Levinson
Inspector General

October 2006
A-03-06-00011

Office of Inspector General

http://oig.hhs.gov

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EXECUTIVE SUMMARY

BACKGROUND

The Centers for Medicare & Medicaid Services (CMS) developed the Comprehensive Error Rate Testing (CERT) program to establish the Medicare fee-for-service paid claims error rate for all provider claims other than inpatient hospital claims.

Under contracts with CMS, two companies were responsible for operating the CERT program during fiscal year (FY) 2006. AdvanceMed served as the CERT medical review contractor, and Livanta served as the documentation contractor. For a sample of claims, AdvanceMed reviewed the medical records that Livanta obtained from health care providers.

CMS includes the CERT results in its annual report on erroneous Medicare payments required by the Improper Payments Information Act of 2002 (Public Law 107-300).

OBJECTIVES

The objectives of our FY 2006 CERT audit were to determine:

- whether CMS ensured that its two CERT contractors had appropriate controls to ensure that medical and quality assurance reviews and initial and follow-up document requests followed established procedures and operated effectively,

- the status of initiatives to reduce the CERT error rate that CMS proposed in its November 2005 "Improper Fee-for-Service Payments Long Report," and

- whether CMS took appropriate action on the recommendations in our FY 2005 audit report.

SUMMARY OF RESULTS

CMS ensured that AdvanceMed had appropriate controls to ensure that medical and quality assurance reviews were in accordance with established procedures and that it adequately maintained, updated, and reported the results of those reviews. CMS also ensured that Livanta had appropriate controls to ensure that medical documentation was properly received, controlled, and provided to AdvanceMed and that Livanta followed up with providers when medical records were not received promptly.

In addition, CMS advised us that it had performed several tasks to accomplish its initiatives to reduce the CERT error rate. Finally, CMS took appropriate action on the recommendations in our FY 2005 audit report.

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INTRODUCTION

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Medicare Program

Title XVIII of the Social Security Act established Medicare as a broad health insurance program that covers people 65 years of age and older, along with those under 65 who are disabled or who have end-stage renal disease. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program through a number of contractors.

Medicare Error Rate

In fiscal year (FY) 2000, CMS initiated two programs to develop a fee-for-service Medicare error rate. The Comprehensive Error Rate Testing (CERT) program, which is the subject of this report, was established to produce an error rate for all provider claims other than inpatient hospital claims.[1] The Hospital Payment Monitoring Program (HPMP), the subject of another Office of Inspector General report (A-03-06-00010), was established to produce an error rate for inpatient acute-care hospital claims. When aggregated, those error rates produce an overall Medicare fee-for-service paid claims error rate. An error is the difference between the amount that Medicare paid to a provider and the amount that it should have paid.

Using the results of its error rate programs, CMS annually submits to Congress an estimate of the amount of improper payments for Medicare fee-for-service claims pursuant to the Improper Payments Information Act of 2002 (Public Law 107-300). Implementing guidance from the Office of Management and Budget requires that the Department of Health and Human Services include the estimate in the "Performance and Accountability Report" for each FY.

In its November 2005 "Improper Fee-for-Service Payments Long Report," CMS reported that the aggregate Medicare fee-for-service error rate for FY 2005 was 5.2 percent. CMS also reported that the CERT error rates by affiliated contractor type were 8.6 percent for durable medical equipment regional carriers, 6.4 percent for carriers, and 3.4 percent for fiscal intermediaries. In addition, CMS described its initiatives to reduce the paid claims error rate.

Comprehensive Error Rate Testing Program

CMS designed the CERT program to determine the underlying reasons for claim errors and to develop appropriate action plans to improve compliance with payment, claims processing, and provider billing requirements. The FY 2006 CERT error rate was based on payments for claims submitted by providers to the affiliated contractors from April 1, 2005, to March 31, 2006. CMS selected for review by the CERT medical review contractor (AdvanceMed) 156,663 of the 1,150,758,446 claims submitted during that period. The selected claims included outpatient hospital, home health, skilled nursing facility, carrier, and medical equipment claims, as well as critical access, psychiatric, and rehabilitation inpatient hospital claims.

[1]Inpatient hospital claims included short-term acute-care inpatient and long-term hospital claims, excluding critical access, psychiatric, and rehabilitation hospital claims.

For the sampled claims, the CERT documentation contractor (Livanta) requested medical records from providers and the affiliated contractors. If a provider failed to respond to the initial request within 30 days, Livanta was required to make a series of follow-up phone calls and letter requests.

In reviewing claims and medical records, AdvanceMed followed Medicare regulations, national coverage decisions, coverage provisions in interpretive manuals, and affiliated contractors' local medical review policies. In the absence of written criteria, the AdvanceMed medical review specialists applied their clinical expertise.

CMS required that AdvanceMed conduct quality assurance reviews to help assure CMS that medical review results were accurate, consistent, and documented in accordance with CERT procedures. Each month, AdvanceMed selected and reviewed a random sample of 100 claims for which medical review specialists found no errors and an additional 10-percent random sample of claims for which medical review specialists found errors. For FY 2006, AdvanceMed selected 3,014 of the 156,663 claims for quality assurance reviews. CMS included the results of the CERT quality assurance reviews in its CERT error rate calculations.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of our FY 2006 CERT audit were to determine:

- whether CMS ensured that its two CERT contractors had appropriate controls to ensure that medical and quality assurance reviews and initial and follow-up document requests followed established procedures and operated effectively,

- the status of initiatives to reduce the CERT error rate that CMS proposed in its November 2005 report, and

- whether CMS took appropriate action on the recommendations in our FY 2005 audit report.[2]

Scope

We limited our review of controls to assessing and testing selected aspects of the CERT document request and follow-up procedures and the medical review and reporting process, including information in the CERT database and the medical records used to support review decisions. We reviewed system reports and control logs and physically observed procedures and practices. We did not independently evaluate CERT medical review decisions.

[2]"Oversight and Evaluation of the Fiscal Year 2005 Comprehensive Error Rate Testing Program" (A-03-05-00006, issued November 10, 2005).

We performed the review at CMS headquarters in Baltimore, Maryland, at AdvanceMed in Richmond, Virginia, and at Livanta in Annapolis Junction, Maryland, from April through September 2006.

Methodology

To accomplish our objectives, we:

- performed limited testing, analysis, and review of:
  - the CERT medical review and quality assurance processes,
  - the CERT Tracking and Reporting Database System for accuracy and completeness, and
  - reports and control logs and physically observed procedures and practices;
- reviewed the qualifications and certifications of the medical review specialists;
- reviewed CMS's November 2005 "Improper Fee-for-Service Payments Long Report" to identify initiatives to reduce the CERT error rate and discussed the status of those initiatives with CMS officials; and
- discussed with CMS officials the actions taken to address the recommendations in our FY 2005 audit report.

We performed the review in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

CMS ensured that AdvanceMed had appropriate controls to ensure that medical and quality assurance reviews were in accordance with established procedures and that it adequately maintained, updated, and reported the results of those reviews. CMS also ensured that Livanta had appropriate controls to ensure that medical documentation was properly received, controlled, and provided to AdvanceMed and that Livanta followed up with providers when medical records were not received promptly.

In addition, CMS advised us that it had performed several tasks to accomplish its initiatives to reduce the CERT error rate. Finally, CMS took appropriate action on the recommendations in our FY 2005 audit report.

APPROPRIATENESS OF CONTROLS

Based on our review of reports and control logs and physical observation of procedures and practices, AdvanceMed and Livanta followed established CERT policies and procedures and accurately reported the results in the claims databases. Specifically:

- The AdvanceMed medical review and quality assurance processes were reliable.

- The AdvanceMed medical review specialists were qualified and certified to perform medical reviews.

- Livanta performed the appropriate procedures for making initial documentation requests. Livanta also performed appropriate followup when providers submitted incomplete or no documentation.

- The CERT Tracking and Reporting Database System was accurate and complete.

INITIATIVES TO REDUCE THE ERROR RATE

In its November 2005 report, CMS stated that one of its performance goals was to reduce improper Medicare fee-for-service payments. The report stated that to achieve that goal, CMS was working with the CERT contractors to implement several initiatives to reduce the CERT paid claims error rate.

CMS described the following actions taken to implement its initiatives:

- Livanta developed a Web site that provides detailed and summary CERT information for providers and affiliated contractors, access to its monthly newsletters, and the means to update provider addresses.

- Livanta used fax servers to receive medical records, imaged all hard-copy records it received, and modified its record request letter to clarify the components of the medical record needed to help decrease documentation errors.

- CMS encouraged its affiliated contractors to educate providers on the CERT program and its importance.

- CMS reduced the time needed to produce the CERT report.

STATUS OF PRIOR-YEAR RECOMMENDATIONS

In our audit of the FY 2005 CERT program (A-03-05-00006), we recommended that CMS (1) work to establish CERT and HPMP sample periods that are more consistent with each other and more closely aligned with the FY and (2) consider consolidating the management of the error rate program under a single office for consistency in methodology and uniformity in reporting.

CMS took appropriate action on these recommendations.

For the first recommendation, CMS stated that it had adjusted the CERT sample period by 3 months. As a result, the CERT error rate included claims submitted for payment during the last 6 months of FY 2005 and the first 6 months of FY 2006. In contrast, the HPMP error rate included claims with discharge dates during the last 9 months of FY 2005 and the first 3 months of FY 2006.

For the second recommendation, CMS stated that it had held internal meetings to explore the operational feasibility and cost effectiveness of combining the management of the CERT program and the HPMP but had not decided on a course of action.