



FEB 18 1998

Memorandum

Date *for* *Michael Mangano*
June Gibbs Brown
From Inspector General

Subject Follow-Up on the Health Care Financing Administration's Successful Resolution of Patient Transfers (A-06-97-00007)

To Nancy-Ann Min DeParle
Administrator
Health Care Financing Administration

Attached are two copies of the U.S. Department of Health and Human Services, Office of Inspector General's (OIG) report entitled "Follow-Up on the Health Care Financing Administration's Successful Resolution of Patient Transfers." That initial report covered incorrectly paid transfers received between January 1, 1986 and November 30, 1991. At the conclusion of this initial project, 13,771 transfers required follow-up action on the part of Health Care Financing Administration (HCFA). We provided the unresolved transfers through the issuance of regional OIG reports to the responsible HCFA Regional Administrators (RA) for follow-up action as appropriate.

Our objectives for providing the unresolved transfers to the RAs were (1) to involve HCFA regional offices in determining whether further recovery action was cost effective, and (2) to gather information sufficient to conclude the first nationwide prospective payment system (PPS) transfer recovery project. The HCFA efforts have resulted in the successful completion of this project. The RAs follow-up actions resulted in the resolution of the majority of the 13,771 unresolved PPS transfers and additional recoveries of \$8,429,178 to the Medicare Part A Trust Fund. Therefore, we are recommending that HCFA consider that its actions on the unresolved transfers from the initial OIG report are complete.

We would appreciate the status of any action taken or contemplated on our recommendation within 60 days of the report issue date. If you have any questions, please contact me or have your staff contact George M. Reeb, Assistant Inspector General for Health Care Financing Audits, at (410) 786-7104.

To facilitate identification, please refer to Common Identification Number (A-06-97-00007) in all correspondence relating to this report.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FOLLOW-UP ON THE HEALTH CARE
FINANCING ADMINISTRATION'S
SUCCESSFUL RESOLUTION OF
PATIENT TRANSFERS**



**JUNE GIBBS BROWN
Inspector General**

**FEBRUARY 1998
A-06-97-00007**

**Memorandum**

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Date

Michael Mangano

From

for June Gibbs Brown
Inspector General

Subject

Follow-Up on the Health Care Financing Administration's Successful Resolution of Patient Transfers (A-06-97-00007)

To

Nancy-Ann Min DeParle
Administrator
Health Care Financing Administration

This report provides the results of our follow-up of the Health Care Financing Administration's (HCFA) resolution of the Office of Inspector General's (OIG) recommendations relating to transfers reported as unresolved in the February 16, 1995 report (CIN: A-06-93-00095) on incorrectly paid prospective payment system (PPS) transfers. That initial report covered incorrectly paid transfers received between January 1, 1986 and November 30, 1991. At the conclusion of this initial project, 13,771 transfers required follow-up action on the part of HCFA. In that report, we recommended that HCFA (1) place a high priority on recovering the remaining overpayments and (2) inform the OIG of the final resolution on the remaining unresolved cases. Accordingly, we provided these unresolved transfers through the issuance of regional OIG reports to the responsible HCFA Regional Administrators (RA) for follow-up action as appropriate.

Our objectives for providing the unresolved transfers to the RAs were (1) to involve HCFA regional offices in determining whether further recovery action was cost effective, and (2) to gather information sufficient to conclude the first nationwide PPS transfer recovery project. The RAs follow-up actions resulted in the resolution of the majority of the 13,771 unresolved PPS transfers and additional recoveries of \$8,429,178 to the Medicare Part A Trust Fund. Therefore, we are recommending that HCFA consider that its actions on the unresolved transfers from the initial OIG report are complete.

BACKGROUND

Section 1886(d) of the Social Security Act, enacted as part of the Social Security Amendments of 1983 (Public Law 98-21) on April 20, 1983, established the PPS for Medicare inpatient hospital services. Under this system, the diagnoses for hospital admissions are grouped into diagnosis related groups (DRG's) and payment amounts are prospectively determined by DRG. A DRG payment amount is designed to cover an average hospital's operating costs necessary to treat a patient to the point that a discharge is medically appropriate.

Hospitals that admit, stabilize and transfer patients to other hospitals generally use fewer resources than hospitals providing the full scope of medical treatment. In view of this, HCFA's national PPS transfer policy is that PPS payments for patient transfers to other PPS hospitals are limited to per diem payments. A receiving hospital is normally paid the full amount of the DRG. An improperly reported transfer (discharge reported by the admitting hospital and a readmission to a second receiving hospital on the same day) normally results in an overpayment when both hospitals receive full DRG payments.

Under Federal regulations (42 CFR 412.4(d)), the per diem payment to the transferring hospital is determined by dividing the appropriate payment for the discharge by the average length of stay for that DRG. Except for cases that meet the criteria for cost outliers, payment to a transferring hospital may not exceed the full DRG payment rate.

In the nationwide project (entitled "Medicare Hospital Patient Transfers Improperly Reported and Paid as Hospital Discharges", A-06-93-00095), the intermediaries did not provide us with sufficient documentation to support their contention that approximately 15,000 of the incorrectly reported transfers were actually unworkable. Our analysis of intermediary responses revealed 13,771 of the approximately 15,000 unworked transfers warranted some form of follow-up action. Therefore, in that report we recommended that HCFA (1) place a high priority on recovering the remaining overpayments, and (2) inform the OIG of the final resolution on the remaining overpayments. We also informed HCFA that we would be providing the details of the unresolved transfers to the RA's under separate cover. Accordingly, we issued reports to HCFA RAs specifically to identify the results of the intermediaries supervised by the receiving HCFA region (CIN: A-06-95-00004 - A-06-95-00013). The objectives of our regional reports were to inform the RAs of the results achieved by intermediaries supervised by the RAs' region, identify unresolved PPS transfers (transfers) warranting follow-up action, and to recommend that the RAs initiate follow-up actions.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were (1) to involve the HCFA regional offices in determining whether further recovery action on the unresolved transfers was cost effective, and (2) to gather information sufficient to determine whether the first phase of the PPS transfer recovery project could be closed. Auditor effort and procedures required in this assignment did not encompass the normal level of effort and procedures associated with audits covered by the government auditing standards. General, field work, and reporting standards applicable to the effort and procedures applied in this assignment were, however, adhered to by the audit staff.

Audit work performed on this assignment was limited to identifying unresolved transfers warranting resolution action by the appropriate RA, and compiling and presenting the results of their resolution actions. We determined an assessment of applicable internal or administrative controls was unnecessary to meet the objectives of this assignment. Further,

an assessment of compliance with applicable requirements of law and regulations was unnecessary to meet the objectives of this assignment. We did not verify reported resolution actions.

We identified the unresolved transfers from the resolution reports submitted by fiscal intermediaries participating in the first nationwide PPS Transfer Recovery Project. These unresolved PPS transfers related to Medicare Part A inpatient hospital claims received at HCFA from January 1986 through November 1991.

There were situations where resolution actions reported by the RAs did not identify the amount recovered for some of the unresolved transfers processed for recovery in their follow-up work. In order to fully credit the intermediary and the RAs for their efforts, we used procedures to estimate the amount of the recoveries. In cases where RAs reported recoveries without corresponding dollar amounts, we applied the average recovery amount from the prior report to estimate the dollar value of these recoveries. In cases where RAs reported recovery amounts for some but not all of the recoveries, we used the intermediaries' average recovery amount in the follow-up work to estimate dollar amounts for the unvalued transactions.

FINDINGS AND RECOMMENDATIONS

The HCFA's follow-up actions on the unresolved transfers resulted in additional Medicare Part A Hospital Trust Fund recoveries of \$8,429,178. Based on the results reported by the RAs, 13,216 of the 13,771 unresolved transfers have either been resolved with an additional recovery or have been constructively resolved. We do not believe that any further administrative action on incorrectly reported transfers from the January 1986 through November 1991 period is required.

The OIG provided information on 13,771 unresolved transfers to the RAs through the issuance of regional audit reports. In those reports, we recommended that the RAs work with the appropriate fiscal intermediaries to determine whether additional recoveries were available and to determine whether the intermediary's original nonrecovery action was correct. The RAs and their Medicare staff pursued the unresolved PPS transfers with the intermediaries and reported back to the OIG. Based on the reported results, we have determined that 13,216 of the 13,771 unresolved transfers have either been resolved or have been constructively resolved for purposes of this project.

The remaining 555 transfers received little or no attention from the responsible intermediary and we do not consider these constructively resolved. However, we are not recommending further action be taken by HCFA because of the age of the claims involved would now make it too costly to research and pursue.

In total, HCFA's follow-up work resulted in an additional \$8,429,178 of recoveries. The results of follow-up actions are summarized below:

**Table of Recoveries
Resolution of Unresolved PPS Transfers**

HCFA Regions	Transfers	Transfers Resolved	Transfers Unresolved/ Unrecovered	Amount Additional Recovery
Region I	453	453	0	\$ 300,384
Region II	33	33	0	33,481
Region III	731	176	555	58,361
Region IV	3,447	3,447	0	287,796
Region V	1,836	1,836	0	1,260,502
Region VI	324	324	0	399,727
Region VII	1,966	1,966	0	1,346,701
Region VIII	212	212	0	240,269
Region IX	4,388	4,388	0	4,501,957
Region X	381	381	0	0
Totals	13,771	13,216	555	\$8,429,178

At your request, we can also provide detailed results by regional office under separate cover.

Based on the actions taken by HCFA, we believe that no further action is required for the 13,771 unresolved transfers for the period January 1986 through November 1991. Therefore, we recommend that HCFA consider that its actions on the unresolved transfers from the initial OIG report are complete.