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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

December 31, 1970

Dear Mr. Ball:

The General Accounting Office has reviewed the procedures used by California Physicians' Service, San Francisco, California, for processing and paying claims for physicians' services under the Medicare program. California Physicians' Service is the carrier which makes payments for Medicare part B services provided to beneficiaries in 49 counties in the State of California.

As part of our review, we examined a random sample of 160 claims processed and paid by the carrier for part B services during the 3-month period ending March 31, 1968, to determine if the carrier had made duplicate payments for the same service. We also examined 100 of the claims to evaluate the carrier's determination that the services provided were covered by Medicare and that the charges for the services were reasonable.

The problems noted during our review were discussed with carrier and Social Security Administration (SSA) regional office officials. The problems noted and the corrective actions that have subsequently been taken by the carrier and SSA are discussed below.

PROBLEMS NOTED DURING OUR REVIEW

Our review showed that the carrier had not instituted appropriate claims processing quality control measures and did not have an adequate system to detect and prevent duplicate payments as required by SSA.

Our review of the random sample of claims showed that the carrier:

- made duplicate payments amounting to about \$352 for 43 services on 10 claims;
- paid about \$830 for 141 services on 28 claims without obtaining adequate evidence that the services provided were covered by Medicare or that the charges for the services were reasonable, and
- made errors in coding and recording charge data which contributed to improper payments.

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We believe these erroneous and questionable payments occurred primarily because the carrier had not established adequate quality controls and procedures to reduce the incidence of errors made by the claims examiners. More effective surveillance by SSA of the carrier's claims processing activities would, in our opinion, have served to strengthen the carrier's controls and procedures for processing and paying Medicare claims.

The high incidence of clerical, coding, and keypunching errors were also noted by the carrier's internal audit division and by SSA representatives in September 1968.

#### ACTIONS TAKEN BY THE CARRIER

After being advised of our findings, SSA representatives met with carrier officials in February 1969, to discuss the corrective action being taken or planned on the claims processing problems noted during our review. At that time, SSA was advised by the carrier officials that action was being taken to analyze and correct its duplicate payment problems. SSA representatives were advised also that a new claims processing manual had been issued which carrier officials believed would improve the quality of manual claims processing. In addition, the carrier is placing more emphasis on formalized training for its personnel.

In an attempt to further improve its claims processing activities, the carrier contracted with E.D.S. Federal Corporation, effective July 1969, to process its Medicare part B claims. In September 1969, E.D.S. Federal Corporation also assumed responsibility for keypunching and microfilming Medicare claims information.

The carrier advised SSA in July 1970, that it was implementing a quality control program which would be in compliance with SSA requirements by October 1970.

#### SSA ACTIONS

SSA has also taken action, subsequent to the completion of our review, to improve the carrier's procedures for processing and paying Medicare claims and to improve overall administration of the supplementary medical insurance program. In August 1968, SSA revised its part B Intermediary Manual to emphasize the need for a system to identify and control duplicate payments and instructed all carriers, including California Physicians' Service, to establish a record showing the number and dollar amount of each returned check and the reason why the check was returned.

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Onsite representatives have been placed at all the larger carriers, including one to California Physicians' Service in February 1970, to study all facets of the carriers' claims processing activities to assure that these activities are being managed effectively and that SSA directives and instructions are being followed. Also, in recognition of the need for better carrier quality control programs, SSA issued instructions in June 1970 requiring that each carrier establish a quality control program which should meet certain minimum standards.

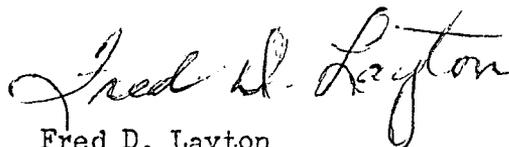
An SSA official advised us that SSA has improved its system for keeping abreast of the status of corrective action taken or promised by the carriers. In some instances, teams of SSA employees have been assigned to work directly with California Physicians' Service to resolve difficulties being experienced by the carrier in processing and paying Medicare claims.

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We believe that the actions being taken by the carrier and SSA, if properly implemented, should minimize or eliminate the problems noted during our review. We will consider the effectiveness of the carrier's actions to improve its controls and procedures for processing Medicare claims and SSA's efforts to improve the overall administration of the Medicare program in our subsequent reviews of the carrier's operations.

Copies of this report are being sent today to the Assistant Secretary, Comptroller, and the Director of the HEW Audit Agency.

Sincerely yours,



Fred D. Layton  
Assistant Director

Mr. Robert M. Ball  
Commissioner of Social Security  
Department of Health, Education,  
and Welfare

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