



Highlights of [GAO-04-783](#), a report to the Ranking Minority Member, Subcommittee on Health, Committee on Ways and Means, House of Representatives

# MEDICARE SECONDARY PAYER

## Improvements Needed to Enhance Debt Recovery Process

### Why GAO Did This Study

Last year, employer-sponsored group health plans (EGHP) were responsible for most of the nearly \$183 million in outstanding Medicare secondary payer (MSP) debt. MSP debts arise when Medicare inadvertently pays for services that are subsequently determined to be the financial responsibility of another. The Centers for Medicare & Medicaid Services (CMS) administers Medicare with the assistance of about 50 contractors that, as part of their duties, are required to recover MSP debt.

GAO was asked to determine whether Medicare contractors are appropriately recovering MSP debt. GAO (1) assessed the cost-effectiveness of the current debt recovery system and (2) identified CMS's plans to enhance the recovery process. GAO analyzed workload and budget information and assessed plans to develop a new debt recovery system—the Recovery Management and Accounting System (ReMAS).

### What GAO Recommends

We are recommending that the administrator of CMS (1) improve the efficiency of MSP payment recovery activities by consolidating efforts under a smaller number of contractors and ensuring that contractor budgets for EGHP recovery activities more closely reflect their actual workloads and (2) expedite implementation of the EGHP component of ReMAS. CMS agreed with our recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-04-783](http://www.gao.gov/cgi-bin/getrpt?GAO-04-783).

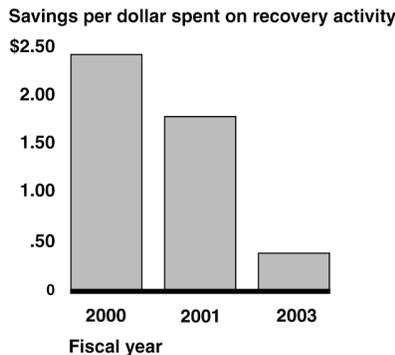
To view the full product, including the scope and methodology, click on the link above. For more information, contact Leslie G. Aronovitz at (312) 220-7600.

### What GAO Found

Medicare's system for recovering MSP debt from EGHPs is no longer cost-effective, with CMS recovering only 38 cents for every dollar it spent on recovery activities in fiscal year 2003. This is largely due to workload and budgetary factors. While the number of new debt cases referred to contractors has declined by more than 80 percent since fiscal year 2000, CMS's budget for contractor recovery activities has remained relatively unchanged. As a result, contractors were funded at a level that exceeded their workload. Almost half of the contractors that CMS funded to process the 7,634 cases associated with the fiscal year 2003 workload were assigned fewer than 50 cases—and eight were not assigned any. The current system is also constrained by procedures that prevent contractors from maximizing recoveries. For example, CMS has instructed contractors not to pursue cases in which the amount of mistaken payments made on behalf of the same beneficiary is less than \$1,000. In addition, CMS neglected to transmit more than 2,000 cases to the contractors—which depend on these transmittals to initiate recoveries—during fiscal years 2000, 2001, and 2003.

CMS is developing a new recovery system—ReMAS—to enhance the MSP recovery process. This system has the potential to help increase savings, provide CMS with greater flexibility in distributing the workload, and simplify the collection of MSP debt. ReMAS is designed to identify relevant mistaken payments and will generate a case that can be assigned to any contractor for recovery—not only the contractor that processed the mistakenly paid claims. However, ReMAS has been under development for over 6 years and is currently only being used for liability and workers' compensation recoveries by a fraction of the contractors. Pilot testing of ReMAS on EGHP cases will not begin until October 2004.

**Cost-Effectiveness of MSP Debt Recovery Activities by Contractors Has Declined**



Source: GAO analysis of CMS budget and workload data.

Note: Savings data for each fiscal year relate to new EGHP cases opened in that year. CMS did not assign new EGHP debt cases to contractors in fiscal year 2002 to allow them time to reduce their backlog of old cases.