



Human Resources Division

B-255760

November 15, 1993

The Honorable Joseph I. Lieberman
Chairman
The Honorable Thad Cochran
Ranking Minority Member
Subcommittee on Regulation and
Government Information
Committee on Governmental Affairs
United States Senate

On June 2, 1993, you requested that we study ways to simplify the administration of the Medicare Secondary Payer (MSP) Provisions. These provisions require that, in certain cases, health and accident insurers covering Medicare beneficiaries pay medical claims ahead of Medicare. The purpose of these provisions is to save Medicare funds by ensuring that Medicare does not pay when other insurance is available. Although our work is not yet complete, you asked us to provide our observations on whether the recently mandated Medicare and Medicaid Coverage Data Bank will contribute to more effective MSP program administration.

BACKGROUND

Section 13581 of the Omnibus Budget Reconciliation Act of 1993 (OBRA-93), signed into law on August 10, 1993, directed the Secretary of Health and Human Services (HHS) to establish the Medicare and Medicaid Coverage Data Bank. The act requires employers to report to the Secretary of HHS detailed information on the health insurance coverage they provide to their workers, including descriptive data on these employees, their dependents, and their insurers. The act requires employers to report this information for calendar years beginning in 1994. The Health Care Financing Administration (HCFA), which administers the MSP provisions, has been assigned responsibility for administering the data bank.

The aim of the data bank is to provide a source of information for the Medicare and Medicaid programs to more readily identify and collect payments from health insurers

for covered beneficiaries. The Congressional Budget Office estimated that over the next 5 years (fiscal years 1994 through 1998), the data bank will save Medicare an additional \$653 million and Medicaid an additional \$293 million, over current MSP activities.

OBSERVATIONS

Although preliminary, the information that we have gathered to date raises concerns that the OBRA-93 Medicare and Medicaid coverage data bank may not realize the anticipated level of additional savings and faces immediate implementation barriers.

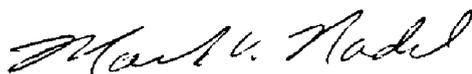
- The data bank duplicates other legislatively mandated MSP efforts currently under way. Section 6202 of the Omnibus Budget Reconciliation Act of 1989¹ (P.L. 101-239; 103 Stat. 2225) provides for HCFA to periodically match Medicare beneficiary data with Internal Revenue Service employment information. These data are used to detect cases where insurers may be responsible for payments already made by Medicare. After several years of preliminary data collection, HCFA is using the results of this match to attempt to recover from health insurers about \$1 billion of potential overpayments. Thus, to the extent that the data bank duplicates information that this data match obtains, the additional savings anticipated will not be realized.
- The data bank is an inefficient and costly method to identify potential MSP cases. Employers will be required to provide information for all their employees. However, according to information provided by HCFA, it is likely that less than 2 percent of all employees or their dependents would be subject to the MSP provision. Therefore, 98 percent of the data collected would not be relevant to the MSP program.

¹Section 13561 of OBRA-93 extended the provision permitting HCFA to match beneficiary and Internal Revenue Service data to September 30, 1998.

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- The relevant information in the data bank may still be incomplete for MSP purposes, according to HCFA officials. For example, the act does not require information on dates of employment, which is often needed to determine whether the MSP provisions apply. As a result, additional information on employment dates would need to be collected.
- The Assistant Secretary for Management and Budget at HHS has recently notified Office of Management and Budget (OMB) officials that it is unlikely that HCFA could establish the data bank without funding. In a letter to OMB dated September 30, 1993, HHS stated that HCFA would need \$17 million in fiscal year 1994 to begin designing and implementing the data bank. Thereafter, HHS estimated that an additional \$25 to \$30 million annually would be needed to administer the data bank.
- As of November 8, 1993, HCFA had not issued implementation guidance on how employers should report information to the data bank. According to American Payroll Association officials, who represent 10,000 employers nationwide, such guidance is needed before employers' information systems can capture and transmit the data required by OBRA-93. As a result, employers may not be able to comply with the OBRA-93 reporting timeframe for 1994.

I hope these observations are useful. We will continue to keep your staff apprised of our ongoing efforts to find ways to make the MSP program more effective. If you or your staff would like to discuss further the information in this letter, please call Frank Pasquier at (206) 287-4861 or me at (202) 512-7118.



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