

June 1988

MEDICARE

Simplified Processing of Deceased Beneficiaries' Claims to Be Implemented



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Human Resources Division

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June 21, 1988

The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

The July 30, 1987, report accompanying the fiscal year 1988 appropriations bill for the Departments of Labor, Health and Human Services, and Education, and related agencies asked us to review the timeliness of processing deceased beneficiary claims under the Medicare program.

We found that the processing of certain claims involving deceased beneficiaries is being delayed, but the Health Care Financing Administration (HCFA) is planning to simplify procedures for processing such claims in the near future. The new procedures should reduce delays in processing these claims.

We briefed representatives of the Subcommittee on Labor, Health and Human Services, Education and Related Agencies and the office of Representative C. W. Bill Young, a member of the Subcommittee, on February 8, 1988, on the results of our work. At that time, we agreed to curtail our fieldwork in view of the expected procedural change and to report on the proposed instructions and on information we had gathered on specific claims referred to us by Representative Young's office.

Background

Medicare is a federal program authorized by title XVIII of the Social Security Act (42 U.S.C. 1395). The program pays for much of the health care costs for eligible persons aged 65 or older and certain individuals under 65 who are disabled or have chronic kidney disease. HCFA, within the Department of Health and Human Services, administers the program.

Medicare consists of two types of insurance, parts A and B. Part A, Hospital Insurance for the Aged and Disabled, covers services furnished primarily by hospitals, home health agencies, and skilled nursing facilities. Part B, Supplementary Medical Insurance for the Aged and Disabled, covers physicians' services, outpatient hospital care, and certain other medical services and supplies.

HCFA administers the Medicare program through a network of contractors that process claims, make payments, and provide various other services to beneficiaries and health care providers. Contractors under part A are referred to as intermediaries;¹ those under part B are called carriers.

All part A claims are assigned; part B claims may be assigned or unassigned. Under assignment the provider submits claims to the intermediary or carrier for payment and agrees to accept Medicare's approved charge as payment in full.² If the claim is unassigned, the beneficiary pays the provider and submits the claim to the carrier, which pays the beneficiary directly.

Because the provider deals directly with the intermediary or carrier to obtain payment on assigned claims, the beneficiary's death does not delay claims processing. Under part B, however, when a provider does not accept assignment of a claim involving a deceased beneficiary, a representative of the beneficiary's estate submits the claim to the carrier. In these cases, processing delays can occur. During fiscal year 1987, 72 percent of the 338.3 million part B claims that carriers processed were assigned. HCFA program officials could not tell us what percentage of the total claims pertained to deceased beneficiaries.

Objectives, Scope, and Methodology

To assess the timeliness of processing deceased beneficiary claims under the Medicare program, as requested by the Committee, we

- discussed reasons for delays in processing deceased beneficiary claims with officials at HCFA's headquarters in Baltimore and its regional office in Boston,
- reviewed HCFA's current and proposed instructions concerning the processing of such claims and discussed these instructions with HCFA officials,
- discussed claims processing procedures with officials of Blue Cross and Blue Shield of Florida and Blue Shield of Massachusetts, and
- reviewed documentation concerning 31 Florida cases that Representative Young's office provided to us as examples of delays in processing deceased beneficiary claims.

¹In addition to processing and paying inpatient hospital claims, intermediaries also process and pay claims for hospital outpatient services, which are covered under part B.

²The approved charge is the lowest of (1) the actual charge (billed amount) for the service, (2) the customary or most frequent charge for a service by a provider, or (3) the prevailing charge based on the customary charges in the local area for the service.

To determine the impact of the proposed instructions on processing times, we discussed the 31 cases with Blue Cross and Blue Shield of Florida (the Medicare part B carrier for Florida), reviewed related documentation, and examined HCFA's report on a test of the revised procedures.

Our work was performed between December 1987 and May 1988 in accordance with generally accepted government auditing standards. The views of responsible agency officials were sought during our work and are incorporated where appropriate.

Procedures, Other Factors Delay Processing

Under current HCFA instructions to part B carriers, several documents must accompany each unassigned claim involving a deceased beneficiary:

1. A signed statement from the provider declining to accept assignment of the claim.
2. A form designating the person who will receive payment on behalf of the deceased beneficiary.
3. A claim form signed by this person.

Moreover, the itemized bills submitted with the claim must be addressed to the person designated to receive payment. If the estate does not file these documents with each claim for the deceased beneficiary, the carrier will request them. If the estate does not respond within 45 days, the carrier will routinely deny the claim.

We reviewed documentation concerning the 31 cases that Representative Young's office referred to us as examples of delays in processing deceased beneficiary claims. We found that the claims submitted in these cases were more complicated than the typical claim, which delayed claims processing. For 24 cases, the procedures for processing deceased beneficiary claims contributed to delayed payments of Medicare benefits. In 18 of these cases, payment also was delayed by other factors, such as establishing the medical necessity of claimed services and determining the liability of other insurance covering the deceased beneficiary. For the other seven claims, payment was delayed by factors unrelated to the procedures used to process deceased beneficiary claims.

Simplified Procedures Should Improve Timeliness

The Cost Burden Reduction Technical Assistance Group, a HCFA advisory group made up of Medicare carrier personnel, suggested a revision to the procedure described above. HCFA tested the revised procedure during June and July 1987 at two carriers—Blue Cross and Blue Shield of Florida and Nationwide Mutual Insurance Company. During the 2-month test, if the information accompanying the claim was complete, these carriers processed the claim without requiring (1) a statement that the provider would not accept assignment or (2) the designation of the person who would receive payment. The carriers made payment to the estate's legal representative if one had been designated or, if not, to the estate itself.

According to HCFA officials, the test, which involved almost 53,000 deceased beneficiary claims, reduced processing times and administrative costs for the two carriers. HCFA plans to implement the change in procedure nationally by issuing instructions to its Medicare carriers by July 15, 1988. Once implemented, HCFA expects that processing delays can be avoided on about 60 percent of deceased beneficiary claims now requiring additional information before processing. The other 40 percent of the claims would be delayed for reasons unrelated to the procedures used to process deceased beneficiary claims. We believe that HCFA's proposed carrier instructions should reduce delays in processing deceased beneficiary claims.

We are sending copies of this report today to Representative Young. Unless you publicly announce its contents earlier, we plan no further distribution of the report until 30 days from its issuance date. At that time, we will send copies to other congressional committees having jurisdiction over the matters discussed in the report, the Secretary of Health and Human Services, and other interested parties.

Sincerely yours,



Michael Zimmerman
Senior Associate Director

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