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Report to the Chairman, Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations, Committee on Government Reform, House of Representatives

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DEBT COLLECTION IMPROVEMENT ACT OF 1996

HHS's Centers for Medicare & Medicaid Services Faces Challenges to Fully Implement Certain Key Provisions

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The Honorable Stephen Horn
Chairman
Subcommittee on Government Efficiency,
Financial Management and Intergovernmental Relations
Committee on Government Reform
House of Representatives

Dear Mr. Chairman:

On October 10, 2001, we testified before your subcommittee on agencies' implementation of the Debt Collection Improvement Act (DCIA) of 1996.[1] One of the major purposes of DCIA is to maximize collection of billions of dollars of nontax delinquent debt owed to the government. Toward this end, DCIA requires that agencies refer eligible debts delinquent more than 180 days that they have been unable to collect to the Department of the Treasury for payment offset and to Treasury or a Treasury-designated debt collection center for cross-servicing. Treasury performs payment offset through its Treasury Offset Program (TOP), which includes the offset of certain benefit payments, vendor payments, and tax refunds. Cross-servicing involves such actions as locating debtors, issuing demand letters, and referring debts to private collection agencies.

As you know, we testified on (1) problems we identified in selected federal agencies' processes and controls for identifying and referring eligible debts to Treasury's Financial Management Service (FMS) for collection action, (2) obstacles that hampered agencies from promptly referring eligible debts, and (3) problems we identified related to the appropriateness of exclusions from referral requirements.

[1]U.S. General Accounting Office, *Debt Collection Improvement Act of 1996: Agencies Face Challenges Implementing Certain Key Provisions*, GAO-02-61T (Washington, D.C.: Oct. 10, 2001).

This report provides additional detail on the Centers for Medicare & Medicaid Services' (CMS)[2] progress in implementing the debt-referral requirements of DCIA to collect delinquent Medicare debts and includes several recommendations.[3] Collection of delinquent Medicare debts is particularly critical because they represented a significant portion—about 9 percent—of the approximately $58 billion of reported delinquent nontax debts governmentwide as of September 30, 2000, and continue to represent a large amount.

In September 2000, we reported that the Health Care Financing Administration (HCFA), now known as CMS, had not fully implemented the referral provision of DCIA.[4] The agency had implemented pilot referral projects for its two major types of Medicare debt: (1) Medicare Secondary Payer (MSP) debts, for which insurance or other entities are primarily financially responsible and CMS is seeking reimbursement, and (2) other debts, referred to as non-MSP debts. CMS was referring delinquent Medicare debts to the Department of Health and Human Services' (HHS) Program Support Center (PSC), a Treasury-designated debt collection center for certain HHS debts. However, we reported that under the pilot projects, contractors referred only older, large-dollar-value Medicare debts, thereby excluding from referral a significant amount of debt and, in particular, more recent, lower-dollar-value claims. Collection industry statistics indicate that low-dollar-value and current debts are typically easier to collect than large-dollar-value and older debts. In the September 2000 report, we recommended that CMS (1) immediately refer all Medicare debts to PSC as soon as they become more than 180 days delinquent and are determined to be eligible for referral and (2) refer the backlog of eligible debts as quickly as possible.

[2]CMS was formerly the Health Care Financing Administration (HCFA). HCFA was renamed on June 14, 2001.

[3]We are also issuing separate reports on certain federal agencies' implementation of administrative wage garnishment, the Rural Housing Service's implementation of key provisions of DCIA, the Farm Service Agency's implementation of key provisions of DCIA, and certain federal agencies' delinquent debt reporting practices.

[4]U.S. General Accounting Office, *Medicare: HCFA Could Do More to Identify and Collect Overpayments*, GAO/HEHS/AIMD-00-304 (Washington, D.C.: Sept. 7, 2000).

For this report, we were to follow up to determine whether (1) CMS was promptly referring eligible Medicare debts for collection action, (2) any obstacles were hampering CMS from referring eligible Medicare debts, and (3) CMS was appropriately using exclusions from referral requirements.[5] At the time of our review, the HHS Office of Inspector General (OIG) was conducting detailed testing of CMS's implementation of DCIA and the effectiveness of CMS's debt collection and debt management activities. According to an OIG official, the OIG's report on its findings is scheduled for release in March 2002. As part of its work, the OIG tested selected debts to determine whether CMS appropriately categorized their status, including their exclusion status (e.g., in bankruptcy, under appeal). Therefore, as agreed with your office, we did not test whether selected CMS debts had been reasonably excluded from referral, and we reached no overall conclusion about the appropriateness of CMS exclusions. During the course of our review, however, we did make several observations concerning the accuracy of the exclusion and debt-eligible amounts that CMS reported to Treasury as of September 30, 2000.

Results in Brief

CMS made progress in referring eligible delinquent debts for collection during fiscal year 2001. Much of the referral volume was late in the year, however, and substantial unreferred balances remained as of September 30, 2001. PSC records indicate that in fiscal year 2001 CMS referred about $2.1 billion of non-MSP debts, out of approximately $2.6 billion of non-MSP debts reported as eligible for referral as of September 30, 2000. The vast majority of the referrals were made from June through September 2001. CMS made far less progress in its referral of eligible MSP debts, despite the fact that PSC has been more successful in collecting MSP debts than non-MSP debts. In fiscal year 2001, PSC records indicate that CMS referred only about $47 million, or about 3 percent, of the approximately $1.8 billion of MSP debts that were reported as eligible for referral as of September 30, 2000.

Inadequate procedures and controls hampered prompt identification and referral of both eligible non-MSP and MSP debts. The delayed referral of non-MSP debts resulted from problems with the CMS debt-referral system and insufficient CMS monitoring of contractor referrals. The low level of

[5]DCIA and Treasury regulations exclude certain debts from referral for collection action, including debts under appeal or at the Department of Justice for litigation, and debtors in bankruptcy.

MSP debt referrals resulted primarily from limited contractor efforts and insufficient CMS monitoring of contractor performance. Further, many of the MSP debts will never be referred to PSC because CMS instructed its Medicare contractors to methodically close out MSP debts delinquent more than 6 years and 3 months. CMS also lacks procedures for reporting such closed-out debts to the Internal Revenue Service (IRS) as taxable income.

With the expansion of the referral program during fiscal year 2001 to include all of CMS's Medicare contractors, CMS faces challenges to its ability to effectively manage Medicare debts in the future. The agency lacks a comprehensive database for all MSP debts, accurate information in the non-MSP debt-tracking systems, and a comprehensive written referral plan for all eligible Medicare debts.

In addition, although as noted above we did not test whether selected CMS debts had been reasonably excluded from referral and reached no overall conclusion about the appropriateness of CMS exclusions, we found that CMS did not report reliable Medicare debt information to Treasury as of September 30, 2000. The agency inadvertently overstated the amount of debt referred for collection action and incorrectly reported the delinquency aging for certain debts and the amount of debt excluded from referral requirements.

While CMS has taken positive steps to increase referrals of delinquent Medicare debts, substantial room for improvement remains. The recommendations in this report urge CMS to more stringently administer delinquent Medicare debt consistent with DCIA, Treasury expectations, and the agency's fiduciary responsibilities.

CMS agreed with five of the six recommendations in this report but did not agree to assess the collectibility of older closed-out debts. In support of its position, CMS said further collection work would not be cost-effective in light of the age of these debts and the efforts and associated costs of our recommended follow-up work. We continue to believe that this assessment should be performed because CMS did not complete adequate collection work to justify discontinuing collection activity on these debts.

Background

CMS, an operating division of HHS, administers Medicare, Medicaid, and the State Children's Health Insurance Program. As administrator of Medicare, which paid about $215 billion in benefits to approximately 39.5 million Medicare beneficiaries in fiscal year 2000, CMS is the nation's largest health insurer. Although most participating providers comply with Medicare billing rules, inadvertent errors or intentional misrepresentations that result in overpayments to providers do occur. These overpayments represent money owed back to Medicare. According to the *HCFA Financial Report for Fiscal Year 2000*,[6] about $8.0 billion out of $8.1 billion of the debts reported owed to CMS originated in the Medicare program.

MSP and Non-MSP Medicare Debts

CMS Medicare debts consist largely of overpayments to hospitals, skilled nursing facilities, physicians, and other providers of covered services and supplies under Part A (hospital insurance) and Part B (supplemental medical insurance) of the Medicare program. We examined two types of Medicare debts:

- *Medicare secondary payer (MSP) debts*. MSP debts arise when Medicare pays for a service that is subsequently determined to be the financial responsibility of another payer. Cases that result in MSP debts include those in which beneficiaries have (1) other health insurance furnished by their employer or their spouse's employer (or, in certain instances, another family member) that covers the medical services provided, (2) occupational injuries, illnesses, and conditions covered by workers' compensation, and (3) injuries, illnesses, and conditions related to a liability or no-fault insurance settlement, judgment, or award.
- *Non-MSP debts*. Although Medicare is phasing out this payment method, Medicare has paid certain institutional providers interim amounts based on their historical service to beneficiaries. Medicare contractors retrospectively adjust these payments based on their review of provider costs. When a provider's cost-reporting year is over, the provider files a report specifying its costs of serving Medicare beneficiaries. Cost report debts arise when the cost report settlement process, which includes audits and reviews by Medicare contractors,

[6]U.S. Department of Health and Human Services, Health Care Financing Administration, *HCFA Financial Report for Fiscal Year 2000* (Baltimore, Md.: 2001).

determines that the amount an institution was paid based on its cost report exceeds the final settlement amount. Another type of non-MSP debt related to cost reporting is unfiled cost report debt. If an institutional provider fails to submit a timely cost report, CMS establishes an unfiled cost report debt. The amount of the debt equals the full amount disbursed for the year in which the provider failed to submit a timely report. Most providers have an ongoing business relationship with the Medicare program; therefore, contractors are able to collect most non-MSP debts by offsetting subsequent Medicare payments to providers. However, if offsetting subsequent payments does not fully liquidate the debt (e.g., because the provider has left the Medicare program), unpaid balances more than 180 days delinquent are subject to DCIA's debt-referral requirements.

Collection Services for CMS Medicare Debts

CMS refers its eligible MSP and non-MSP debts to PSC, which provides debt management services for certain HHS operating divisions. Under DCIA, federal agencies are required to refer all eligible debts that are more than 180 days delinquent to Treasury or a Treasury-designated debt collection center. In 1999, Treasury designated PSC a debt collection center for HHS, allowing PSC to service certain debts, including MSP and unfiled cost report debts. PSC is responsible for attempting to collect MSP debts, obtaining cost reports for unfiled cost report debts, reporting MSP and unfiled cost report debts to TOP, and referring other types of Medicare debts to Treasury's FMS for cross-servicing.

Prior Findings on CMS's Implementation of DCIA

In September 2000, we reported that CMS was slow to implement DCIA but could increase Medicare overpayment collections if it fully implemented the referral requirements of the act. We recommended, and CMS agreed, that CMS fully implement DCIA by transferring Medicare debts to PSC or Treasury for collection as soon as they became delinquent and were determined to be eligible. We also recommended that CMS refer the backlog of eligible Medicare debts to PSC as quickly as possible. [7]

[7]GAO/HEHS/AIMD-00-304.

We noted in the report that CMS had two pilot projects under way that were designed to expedite the transfer of delinquent Medicare debts for collection action. One pilot covered certain MSP debts valued at $5,000 or more, and the other covered certain non-MSP debts, primarily related to cost report audits, of $100,000 or more.[8] Contractors participating in the pilots were to (1) verify the amount of a delinquent debt and ensure that it was still uncollected, (2) issue a DCIA intent letter indicating that nonpayment would result in the debt's referral to PSC, and (3) record the debt in a central CMS database used to transmit the debt to PSC for collection.[9] CMS's goal is to have referred all eligible Medicare debts for collection action by the end of fiscal year 2002.

CMS Medicare Debts Eligible for Referral as of September 30, 2000

As shown in table 1, CMS reported that about $6.6 billion of Medicare debts were more than 180 days delinquent or classified as currently not collectible (CNC) as of September 30, 2000. This information was reported in the Medicare Trust Fund Treasury Report on Receivables Due from the Public (TROR), which contained the most recent agency-certified information available during our review. Debts classified as CNC are written off the books for accounting purposes—that is, they are no longer carried as receivables. A write-off does not extinguish the underlying liability for a debt, and collection actions may continue to be taken on debts classified as CNC.

[8]In the report, CMS stated that it planned to reduce the non-MSP referral threshold to $600. In December 2000, CMS instructed Medicare contractors to identify and send intent letters for non-MSP debts greater than $600.

[9]Before the pilot projects were initiated, the referral process was as follows: (1) contractors referred delinquent debts to the appropriate CMS regional office for review to verify that appropriate collection actions had been taken; (2) if regional office staff found that appropriate actions had been taken, the contractor transferred the receivable to CMS, which assumed accountability for collection through its regional offices; and (3) CMS, through its regional offices or headquarters, was responsible for referring the debts to PSC.

Of the $6.6 billion of Medicare debts reported as more than 180 days delinquent or classified as CNC, CMS reported that it had referred approximately $2 billion of debts and had excluded from referral approximately $1.8 billion of debts. CMS also reported in the TROR that about $1.6 billion in unfiled cost reports were delinquent more than 180 days. Because CMS does not recognize amounts associated with unfiled costs reports as receivables for financial reporting purposes, the agency reports unfiled cost report debts more than 180 days delinquent as a separate, additional item in the TROR.[10] With these exclusions and additions, CMS reported about $6.4 billion of Medicare debts eligible for referral to PSC for collection action as of September 30, 2000.

Table 1: CMS Medicare Debts Eligible for Referral as of September 30, 2000

Dollars in millions

	Debt amounts
Debts more than 180 days delinquent and debts classified as CNC	$6,604
Plus: other delinquent debts (unfiled cost reports)	1,591
Less: debts excluded from referral because of bankruptcy, appeals, litigation	1,809
Debts eligible for referral for collection action	6,386
Debts referred[a] for collection action	2,046
Debts eligible but not referred for collection action	4,340

[a]PSC reported that CMS had referred about $1.65 billion of delinquent debt as of September 30, 2000. We noted that CMS inadvertently overstated debt referrals by $67 million because of a data-entry error. In addition, during our review, a PSC official stated that PSC was reconciling the debts reported as referred by CMS to the debts reported as being received by PSC for collection action.

Source: Medicare Trust Fund Treasury Report on Receivables Due from the Public for fourth quarter 2000 (September 30, 2000).

Of the approximately $6.4 billion of Medicare debts that CMS had reported as eligible for referral by the end of fiscal year 2000, the agency reported that about $4.3 billion of the debts had not been referred to Treasury or a Treasury-designated debt collection center. About $2.6 billion of the unreferred amount was non-MSP debt, and the remainder was MSP debt.

[10]Unfiled cost reports are not recognized as receivables because the failure to file a cost report does not complete the earnings process; thus, no accounting event occurred from which a receivable can be established. Also, without a cost report, CMS cannot reasonably estimate the amount of the receivable, as required by federal accounting standards.

CMS's goal for fiscal year 2001, which the agency met, was to refer an additional $2 billion of unreferred eligible debts. CMS's goal for fiscal year 2002 is to refer the remainder of eligible Medicare debts.

Objectives, Scope, and Methodology

Our objectives were to determine whether (1) CMS was promptly referring eligible Medicare debts for collection action, (2) any obstacles were hampering CMS from referring eligible Medicare debts, and (3) CMS was appropriately using exclusions from referral requirements.

Although CMS also administers Medicaid and the State Children's Health Insurance Program, we limited our review to Medicare debts because the Medicare program is the source of the vast majority of CMS's reported delinquent debt.

To address our objectives, we obtained and analyzed the Medicare Trust Fund TROR for the fourth quarter of fiscal year 2000, which was the most recent agency-certified report available at the completion of our fieldwork, and other financial reports prepared by CMS. The most recent year-end TROR should contain the most reliable information available because Treasury requires that agency chief financial officers (or their designees) certify year-end data as accurate. We interviewed CMS and PSC officials to obtain an understanding of the debt-referral process and any obstacles that may be hampering referral of eligible debts. In addition, we reviewed CMS policies and procedures on debt referrals and examined current and planned CMS efforts to refer eligible delinquent debts.

We also met with representatives from 4 selected CMS contractors that process and pay Medicare claims, and we discussed how they identified and referred eligible Medicare debts to PSC. At the time of our review, CMS had 55 Medicare contractors that processed claims and collected on overpayments. We used two criteria to select the 4 contractors: (1) the size of their debt portfolio and (2) whether the contractor participated in the CMS pilot projects. Specifically, 1 of the selected contractors had the largest amount of debt overall and the largest amount of Part A debt, 1 other selected contractor had the largest amount of Part B debt, and another of the selected contractors had the largest amount of MSP debt. We selected the fourth contractor to ensure that our review covered at least one-third of all the debt maintained at the CMS contractors. Three of the 4 contractors that we selected participated in the MSP pilot project, and 2 participated in the non-MSP pilot project.

As agreed with your office, we did not test selected debts that were excluded from referral because the HHS OIG was performing detailed testing of CMS's implementation of DCIA and the effectiveness of its debt collection and debt management activities. As part of its work, the OIG tested selected debts at CMS and its Medicare contractors to determine whether the status of debts had been appropriately categorized. We also did not independently verify the reliability of certain information that CMS and PSC provided (e.g., debts reported as more than 180 days delinquent).

We performed our work from November 2000 to September 2001 in accordance with U.S. generally accepted government auditing standards.

We requested written comments on a draft of this report from the administrator of CMS or his designated representative. CMS's letter is reprinted in appendix I. We also considered, but did not reprint, the technical comments provided with CMS's letter and have incorporated them throughout this report, where appropriate.

CMS Did Not Promptly Refer All Eligible Medicare Debts in Fiscal Year 2001

Overall, CMS did not promptly refer all of its reported eligible Medicare debts in fiscal year 2001. Although CMS referred approximately $2.1 billion of Medicare debts during the year, almost all were non-MSP debts primarily related to cost report audits. Further, the vast majority of these debt referrals—about $1.9 billion—occurred late in the fiscal year, from June through September. While approximately $1.8 billion of eligible MSP debts were reported as eligible for referral as of September 30, 2000, CMS referred only about $47 million of MSP debts in fiscal year 2001.

CMS Referred a Significant Amount of Non-MSP Debts in Fiscal Year 2001, but Not Promptly

CMS made progress in referring non-MSP debts to PSC during fiscal year 2001, but most of the progress occurred late in the fiscal year. Problems with the debt-referral system contributed to the late referral of non-MSP debts. Although CMS reached its $2 billion referral goal for fiscal year 2001, both the prospects for collection during the year and the collectibility of the debts were likely diminished by the referral delays.

At the end of fiscal year 2000, about $2.6 billion of non-MSP debts remained to be referred. Throughout most of fiscal year 2001, CMS made little progress in referring these debts. It was not until June 2001, approximately two-thirds of the way through the fiscal year, that CMS began making substantial referrals of non-MSP debts to PSC. Of the approximately

$2.1 billion of non-MSP debts reported as being referred during fiscal year 2001, CMS referred about $1.9 billion of the debts from June through September.

CMS officials stated that they were not significantly concerned by the low level of non-MSP debt referrals during the first two-thirds of fiscal year 2001 because they met their goal of referring $2 billion of eligible Medicare debts in fiscal year 2001 and they intend to meet their goal of referring the remaining eligible debts by the end of fiscal year 2002. However, the prompt referral of delinquent debts is critical because, as industry statistics indicate, the likelihood of recovering amounts owed on delinquent debts decreases dramatically as the age of the debt increases.

CMS Made Little Progress in Referring MSP Debts in Fiscal Year 2001

CMS made little progress in referring the approximately $1.8 billion of MSP debts that were reported as eligible for referral as of September 30, 2000. Limited contractor efforts, coupled with inadequate monitoring of contractor performance by CMS, contributed to the slow progress. In addition, many existing MSP debts will never be referred because in February 2001 CMS instructed its Medicare contractors to close out MSP debts delinquent more than 6 years and 3 months, thereby terminating all collection efforts on such debts.

Unreferred MSP debts represented about 40 percent of the approximately $4.3 billion of reported eligible Medicare debts that had not been referred for collection as of September 30, 2000. PSC collection reports show that the center has had comparatively more success in collecting MSP debts than it has had in collecting non-MSP debts. By the end of fiscal year 2001, PSC reported collecting almost as much on delinquent MSP debts as on delinquent non-MSP debts, even though the total dollar amount of MSP referrals was a small fraction, about 2 percent, of the total dollar amount of non-MSP referrals.[11]

CMS began referring MSP debts to PSC in March 2000. PSC records indicate that through September 30, 2001, CMS had referred only about $83 million, or 5 percent, of the approximately $1.8 billion of MSP debts

[11]As of the end of fiscal year 2001, PSC reported collecting about $3.8 million during fiscal year 2001 of the approximately $83 million of MSP debts referred. For non-MSP debts, PSC reported that it and Treasury had collected about $4.1 million during fiscal year 2001 of the approximately $3.7 billion of non-MSP debts referred.

eligible for referral to PSC as of September 30, 2000. Of this amount, about $47 million was referred in fiscal year 2001. These limited referrals were likely the only collection action taken on most of the eligible MSP debts from March 2000 through September 2001. In most cases, CMS instructed its contractors only to send initial demand letters to MSP debtors and follow up on any resulting inquiries.

CMS Lacked Effective Processes and Controls to Promptly Refer Eligible Medicare Debts

CMS did not establish and implement effective controls to promptly refer eligible Medicare debts to PSC for collection action. CMS failed to promptly refer non-MSP debts because the agency had problems with its debt-referral system. Limited contractor efforts, coupled with inadequate CMS monitoring of contractor performance, were primarily responsible for the slow progress in referring MSP debts. Because of a CMS policy to close out debts delinquent more than 6 years and 3 months, some debts will never be referred for collection action. In addition, CMS has not developed a process to report closed-out debts to IRS, even though discharged debt is considered income and may be taxable.

Problems with the Debt-Referral System Delayed the Referral of Non-MSP Debts

Non-MSP debt referrals were delayed until late in fiscal year 2001 primarily because CMS suspended its debt-referral system in November 2000. According to a CMS official responsible for non-MSP debt referrals, the agency suspended the system in order to identify and correct numerous discrepancies found in the system's data (e.g., duplicate debt entries, inconsistencies between debt amounts in the referral system and debt amounts in the tracking system) and to place additional edits in the system to prevent such errors in the future. CMS did not resume referring non-MSP debts to PSC through the debt-referral system until June 2001.

Not only did CMS's suspension of the debt-referral system limit the debt-referral activities of the 5 contractors participating in the non-MSP pilot, it also delayed CMS's planned October 2000 expansion of the debt-referral program to all contractors. CMS did not issue updated instructions for referring non-MSP debts to each of its 55 contractors until April 2001. The guidance, revised in response to our September 2000 recommendation that all CMS debt be transferred to PSC as soon as it becomes delinquent and is eligible for transfer, expanded the criteria for referring non-MSP debts by including Part B debts, as well as Part A debts, and lowering the referral threshold from $600 to $25.[12]

After the debt-referral system began operating again and the referral requirements were expanded and extended to all contractors, CMS increased its referrals of non-MSP debts to PSC by about $1.9 billion from June through September 2001.

Limited Contractor Efforts and Inadequate Monitoring of Contractor Performance Impeded Referral of MSP Debts

The low referral of MSP debts in fiscal year 2001 occurred partly because for most of the year, until May 2001, only the 15 contractors participating in the pilot project were authorized to identify eligible Part A debts and refer them to PSC. According to information from CMS, as of September 30, 2000, these 15 contractors held a total of about $542 million of Part A debts that were more than 180 days delinquent, representing about 31 percent of MSP debts eligible for referral as of that date.

[12]As we reported in September 2000, CMS planned to reduce the non-MSP referral threshold from $100,000 to $600. In December 2000, CMS instructed Medicare contractors to identify and send intent letters for non-MSP debts greater than $600. In April 2001, CMS reduced the threshold to $25 and instructed Medicare contractors to begin referring all eligible non-MSP debts that are $25 or greater.

In response to our September 2000 recommendation, CMS issued a program memorandum in May 2001 extending to all MSP contractors the requirement to identify delinquent MSP debts and refer them to PSC. CMS also expanded the referral criteria to include Part B debts, as well as Part A debts. The dollar threshold for referral is to be reduced in phases, from $5,000 to $25.[13] The phased reduction is intended both to eliminate the backlog of higher-dollar debts and to ensure referral of current debts, thereby avoiding a continuing backlog. A CMS official stated that the memorandum was not issued sooner partly because CMS had to respond to contractors' concerns that they needed additional funding to automate their debt-referral processes to comply with the new referral requirements. The CMS official stated that after much consideration, CMS concluded that referrals could be performed manually and that seeking additional funding for automation would likely cause further delays in referring MSP debts to PSC.

Another factor that contributed to the low amount of MSP debt referred to PSC was the failure of certain pilot project contractors to promptly refer eligible debts. Under the MSP pilot project, contractors were required to identify eligible Part A debts, send DCIA intent letters (which state CMS's intention to refer a debt for collection action if it is not paid within 60 days) to those debtors, and enter the debt information into the debt-referral system. We selected and reviewed the work of 3 large Medicare contractors that participated in the MSP pilot project and found that none of the 3 promptly identified and referred all eligible MSP debts.

One of the contractors held $255 million of Part A MSP debt more than 180 days delinquent as of September 30, 2000. As of May 2001, the contractor reported that it had identified and sent out DCIA intent letters for only about $33 million, or about 13 percent, of the debt. The contractor official responsible for MSP debts stated that the contractor was under the impression that the pilot project required it to make only two file queries, in February 2000, to identify eligible debts and that the queries were to cover only debts incurred from March 1997 through August 1998. However, our

[13]To address the existing backlog of delinquent debt, CMS established a workload standard for MSP contractors. The standard specifies that each contractor is to issue 200 "intent to refer" letters or to resolve 500 selected debts each month, as long as the contractor has sufficient delinquent debts to meet this requirement. If a contractor has insufficient debts greater than $5,000 to meet the workload standard, the contractor then selects debts greater than $250. If the contractor has insufficient debts greater than $250 to meet the workload standard, the contractor then selects debts greater than $25.

review of the implementing instructions for the pilot project found that it was to cover all MSP debts that were not more than 6 years old, and CMS officials responsible for MSP debts advised us that they had never instructed the contractor to limit its file queries.

Another of the 3 contractors whose work we reviewed held about $61 million of Part A MSP debt delinquent more than 180 days as of September 30, 2000. The contractor official responsible for MSP debts stated that the contractor believed that the MSP pilot project had ended in August 2000. As such, from September 2000 through December 2000, the contractor did not review its debt portfolio to identify additional MSP debts eligible for referral. The contractor subsequently began identifying and referring debts again in January 2001. In addition, the contractor's records indicated that as of April 2001, about $6.2 million, or 48 percent, of the $12.8 million of debt for which it had sent DCIA intent letters prior to September 2000 had not been referred to PSC. These debts remained at the contractor even though they were well beyond the 60-day time frame CMS specified for referring debts to PSC after a DCIA intent letter is sent. The responsible contractor official was unable to explain why the debts had not been referred for collection action.

Before our review, CMS had not developed or implemented policies and procedures for monitoring contractors' referral of MSP debts. As a result, CMS did not monitor the extent to which contractors referred specific MSP debts to PSC and did not identify specific contractors, such as those mentioned above, that failed to identify and refer all eligible debts. Without such monitoring, CMS could not take prompt corrective action. This lack of procedures for monitoring contractors and the resulting lack of monitoring are inconsistent with the comptroller general's *Standards for Internal Control in the Federal Government*. The standards state that internal controls should be designed to assure that ongoing monitoring occurs in the course of normal operations and that it should be performed continually and ingrained in agency operations.[14]

In response to our work, CMS officials stated that in June 2001 they had begun to review selected contractors' MSP debt referrals. A CMS official said that the 10 CMS regional offices would assume a more active role in ensuring that contractors promptly refer eligible MSP debts to PSC. As of

[14]U.S. General Accounting Office, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: Nov. 1999).

September 2001, CMS had not developed formal written procedures for monitoring contractors, but agency officials stated that they planned to develop such procedures.

CMS Policy to Close Out Older MSP Debts Also Limited Referrals of MSP Debts

Many MSP debts will never be referred to PSC because of a CMS decision to close out older MSP debts. In February 2001, CMS issued guidance to its contractors directing them to methodically terminate collection action on or close out MSP debts delinquent more than 6 years and 3 months.[15] CMS officials stated that the agency selected this delinquency criterion because the statute of limitations prevents the Department of Justice from litigating to collect debts more than 6 years after they become delinquent. Also, these debts, because they are closed out, will never be reported to FMS for TOP, which has been FMS's most effective debt collection tool.[16] For fiscal year 2000, Treasury found that the collection rate for the small amount of MSP debt that had been reported to TOP was about 10.5 percent, which is higher than TOP's average collection rate. The February 2001 guidance was a continuation of CMS policy set forth in the agency's instructions to contractors at the start of the MSP pilot project in fiscal year 2000, which authorized contractors to identify and refer only debts up to 6 years old.

A CMS official stated that older MSP debts were closed out because it was not cost-effective to collect them. However, CMS could not provide any documentation to support the assertion that it is not cost-effective to attempt to collect older MSP debts, and CMS did not test this assumption in its MSP pilot project.

Age alone is not an appropriate criterion for terminating collection action on a debt. The agency should pursue all appropriate means of collection on a debt and determine, based on the results of the collection activity, whether the debt is uncollectible. According to discussions with contractor officials, collection activity prior to the termination of the debts likely involved only the issuance of demand letters, as required by CMS's Budget and Performance Requirements for contractors.

[15]Certain categories of debts were excluded from close-out, including debts in litigation, in bankruptcy, and under investigation for fraud.

[16]According to documents provided by Treasury, during each of the last 3 calendar years FMS has collected more than $1 billion of federal nontax debt through TOP by offsetting tax refund payments. This amount far exceeds the amount collected through any other FMS debt collection tool.

The CMS official said she was not aware of any assessment performed to determine the total dollar amount of debts that will be designated as eligible for close-out because of this age threshold. During our review, CMS had already approved close-out of about $86 million of MSP debts at the contractors we visited. About $85 million of these debts were less than 10 years old and therefore could have been referred to PSC for collection action, including reporting to TOP.[17]

In a related matter, CMS has not established a process, including providing authorization to PSC, to report closed-out MSP debts to IRS. The Federal Claims Collection Standards and Office of Management and Budget (OMB) Circular No. A-129 require that agencies, in most cases, report closed-out debt amounts to IRS as income to the debtor, since those amounts represent forgiven debt, which is considered income and therefore may be taxable at the debtor's current tax rate. Thus, reporting the discharge of indebtedness to IRS may benefit the federal government, through increased income tax collections. CMS stated that agency officials and the CMS Office of General Counsel are discussing the reporting of closed-out MSP debts to IRS but did not specify when actions, if any, would be taken to report such debts to IRS.

CMS Faces Challenges in Effectively Managing Future Medicare Debt Referrals

Even with CMS's non-MSP debt-referral system operating again and its MSP and non-MSP referral requirements extended to all of its contractors, the agency still faces obstacles to effectively managing its Medicare debt referrals. As mentioned earlier, in fiscal year 2001 CMS expanded debt-referral requirements from the pilot projects to include all 55 Medicare contractors. CMS lacks complete and accurate debt information, however, and this shortcoming will likely hamper the agency's ability to adequately monitor contractors' debt referrals. In addition, CMS's referral instructions to contractors currently do not cover some types of Medicare debts, including MSP liability debts. Without a comprehensive plan in place that covers all types of Medicare debts, CMS faces significant challenges to be able to achieve its goal of referring all eligible Medicare debts by the end of fiscal year 2002.

[17]For most types of debt, DCIA provides that administrative offset is available for claims that have not been outstanding for more than 10 years. TOP is available to collect nontax debts referred within 10 years after the agency's right of action accrued.

Lack of Complete and Accurate Debt Information Hampers CMS's Ability to Monitor Debt Referrals

All Medicare contractors are now responsible for identifying eligible debts from their debt portfolio, sending out DCIA intent letters to debtors, and referring eligible debts to PSC. To help ensure that all eligible Medicare debts are promptly identified and referred for collection, CMS must monitor contractors' debt-referral practices. To monitor effectively, the agency needs comprehensive, reliable debt information from its contractors, but CMS systems currently do not contain complete and accurate information on all CMS Medicare debts.

CMS Lacks a Centralized Database for MSP Debts

One of CMS's most daunting financial management challenges continues to be the lack of a financial management system that fully integrates CMS's accounting systems with those of its Medicare contractors. Because CMS does not have a fully integrated accounting system, each MSP debt is maintained only in the internal system of the specific contractor that holds the debt. CMS has no centralized database that includes all MSP debts held by contractors. As a result, the agency cannot effectively monitor the extent to which its various contractors are promptly identifying eligible MSP debts and referring them to PSC for collection. CMS is developing a system that is to include a database containing all MSP debts. However, the agency plans to phase the system in, and it is not scheduled to be fully implemented at all contractors until the end of fiscal year 2006.

CMS's Non-MSP Debt-Tracking Systems Contain Inaccurate Information

CMS has two debt-tracking systems for its non-MSP debts, one for Part A debts and one for Part B debts. Medicare contractors are responsible for entering non-MSP debts into the systems and updating the debts' status (with respect to bankruptcy, appeals, etc.) as appropriate. According to CMS officials, the agency intends to use these systems to monitor contractors to ensure that they are promptly identifying and referring eligible debts to PSC.

Accurate tracking information is critical for monitoring debt-referral practices. CMS found, however, that its non-MSP debt-tracking systems contain inaccurate information because a significant number of contractors have not been adequately updating information in the systems. CMS performed contractor performance evaluations for fiscal year 2000 on 25 contractors and found that 19 were not adequately updating information in the non-MSP debt-tracking systems. For 5 of the 19 contractors, CMS considered the problems to be significant enough to require the contractors to develop written performance improvement plans.

Our work at the 2 selected contractors involved in the non-MSP pilot project corroborated CMS's own findings. CMS periodically sent non-MSP pilot contractors a list of eligible Part A debts from the agency's debt-tracking system for possible referral to PSC. For the 2 non-MSP contractors we reviewed, CMS selected $1.3 billion of debts from the Part A non-MSP debt-tracking system. The contractors determined that $289 million of the debts, or about 23 percent, were actually ineligible for referral because they were in bankruptcy, under appeal, or under investigation for fraud. In addition, we identified $21 million of debts that 1 of the 2 non-MSP pilot contractors had misclassified on the CMS debt-tracking system as bankruptcy debt and ineligible for referral. These debts had actually been dismissed from the bankruptcy proceedings and therefore should have been reported in the debt-tracking system as eligible for referral. In this case, the contractor had not updated its own internal system for $8 million of the debts and was therefore not pursuing postdismissal collection actions on them. For the remaining $13 million, the contractor had updated its internal system and was pursuing collection but had failed to properly update the CMS debt-tracking system.

CMS's Non-MSP Debt-Tracking Systems Do Not Enable the Agency to Monitor Promptness of Debt Referral

To effectively monitor contractor performance, CMS must have the ability to determine whether contractors are referring debts promptly. However, CMS's non-MSP debt-tracking systems lack the capacity to indicate whether contractors are promptly entering non-MSP debts into the debt-referral system after they mail DCIA intent letters because the systems do not track the date of status code changes (e.g., the date when the DCIA letter was issued). We found that CMS's non-MSP debt-tracking system for Part A debts did not identify $5.2 million of debts that had been pending referral for at least 9 months at one of the two non-MSP contractors that we reviewed. In response to our work, CMS officials stated that they are in the process of modifying the non-MSP debt-tracking systems to allow the agency to monitor how promptly contractors are referring debts in the future.

CMS Lacks a Comprehensive Referral Plan That Covers All Types of Eligible Debt

CMS has not developed a comprehensive plan that covers all types of Medicare debt eligible for referral. The agency lacks information on the total dollar amount of eligible debts not covered by its current referral instructions to the Medicare contractors, and it has not developed a detailed plan or specific time frame for referring these debts. Without a comprehensive plan in place, CMS faces significant challenges to be able to achieve its goal of referring 100 percent of eligible debts in fiscal year 2002.

Types of debt for which CMS has not yet established a referral plan include, but are not limited to, the following:

- *MSP liability.* MSP liability debts arise when Medicare covers expenses related to accidents, malpractice, workers' compensation, or other items not associated with group health plans that are subsequently determined to be the responsibility of another payer.
- *Part A claims adjustments.* Part A claims receivables are created when previously paid claims are adjusted. Reasons for claims adjustments include duplicate processing of charges or claims, payment for items or services not covered by Medicare, and incorrect billing. The CMS debt-tracking system does not track these debts. Debts resulting from claims adjustments are generally offset from subsequent Medicare payments and require no further collection action. Should subsequent Medicare payments be unavailable for offset, however, no requirements exist for Medicare contractors to perform any other collection actions, such as issuing a demand letter.

We found that as of September 30, 2000, the four contractors we reviewed held about $9.6 million of MSP liability debts and about $10.7 million of debts related to Part A claims adjustments. CMS officials stated that the agency intends to refer both types of debt to PSC in the future.

CMS Does Not Provide Reliable Medicare Debt Information to Treasury

The amounts of eligible debt CMS reported in the September 30, 2000, Medicare Trust Fund TROR were not reliable. CMS did not properly report the delinquency aging for certain debts, including debts previously transferred to regional offices for collection. CMS also did not properly report its exclusions from referral requirements. For example, the agency inappropriately reported as excluded $149 million of non-MSP debts that had been referred to CMS regional offices for collection.[18] In addition, CMS did not report any exclusion amounts for MSP debts, even though we noted that certain MSP debts were involved in litigation, or for non-MSP debts under investigation for fraud. Finally, because of a data-entry error, CMS inadvertently overstated debt referrals by $67 million.

It is imperative that CMS provide Treasury with reliable information on eligible Medicare debt. Treasury uses the information to monitor agencies'

[18]Before implementation of the DCIA referral process, contractors were required to transfer receivables to CMS regional offices for collection.

implementation of DCIA. In addition, the TROR is Treasury's only comprehensive means of periodically collecting data on the status and condition of the federal government's nontax debt portfolio, as required by the Debt Collection Act of 1982 and DCIA. CMS's delinquent Medicare debts represent a significant portion of delinquent debts governmentwide. Therefore, they must be reported accurately if governmentwide debt information is to be useful to the president, the Congress, and OMB in determining the direction of federal debt management and credit policy.

According to CMS officials, the agency is revising its method for determining eligible debt amounts. For example, CMS officials stated that the agency no longer reports debts referred to regional offices as exclusions and is in the process of identifying and reporting exclusion amounts for MSP debts.

Conclusions

Although CMS made progress in referring eligible Medicare debts to PSC in fiscal year 2001 and met its referral goal for the year, a substantial portion of Medicare debts—particularly MSP debts—are still not being promptly referred for collection action. Inadequate contractor monitoring, resulting partly from CMS's debt system limitations, has contributed to the slow pace of MSP debt referrals. In addition, CMS has not begun referring certain types of eligible Medicare debts, such as MSP liability debts, and those debts will continue to age until CMS completes and implements a comprehensive referral plan. Since recovery rates decrease dramatically as debts age, CMS cannot accomplish DCIA's purpose of maximizing collection of federal nontax debt unless it refers eligible debts promptly.

CMS's policy of closing out eligible MSP debts solely on the basis of their age, without performing a quantitative study to determine whether collection action would be cost-effective, has also reduced referrals and eliminated opportunities for potential collections on those debts. In addition, by not reporting closed-out debts to IRS, the federal government may be missing an opportunity to increase government receipts.

Medicare debts are a significant share of delinquent debt governmentwide, and CMS's inaccurate reporting to Treasury on exclusion amounts, debt aging, and referrals may distort governmentwide debt information used to determine the direction of federal debt management and credit policy. CMS's inaccurate reporting of eligible debt amounts also impedes Treasury's ability to monitor the agency's compliance with DCIA.

Recommendations for Executive Action

To help ensure that CMS promptly refers all eligible delinquent Medicare debts to PSC, as we recommended in September 2000, and that all benefits from closed-out debts are realized, we recommend that the administrator of CMS

- establish and implement policies and procedures to monitor contractors' implementation of CMS's May 2001 instructions to ensure the prompt referral of eligible MSP debts;
- implement changes to CMS's non-MSP debt tracking systems so that CMS personnel will be better able to monitor contractors' referral of eligible non-MSP debts as required by CMS's April 2001 instructions to contractors;
- develop and implement a comprehensive referral plan for all eligible delinquent Medicare debts that includes time frames for promptly referring all types of debts, including MSP liability and Part A claims adjustments debts;
- perform an assessment of MSP debts being closed out because they are more than 6 years and 3 months delinquent to determine whether to pursue collection action on the debts, and document the results of the assessment;
- establish and implement policies and procedures for reporting closed-out Medicare debts, when appropriate, to IRS; and
- validate the accuracy of debt-eligible amounts reported in the Medicare Trust Fund TROR by establishing a process that ensures, among other things, (1) accurate reporting of the aging of certain delinquent debts, (2) accurate and complete reporting of debts excluded from referral requirements, and (3) verification of data entry for referral amounts.

Agency Comments and Our Evaluation

In written comments on a draft of this report, CMS agreed with five of our six recommendations and summarized actions taken or planned to address those five. CMS expressed confidence that it would attain its goal of referring all eligible debt to Treasury by year-end as part of its overall financial plan.

Regarding our recommendation to assess closed-out MSP debts that were more than 6 years and 3 months delinquent to determine whether to pursue collection action on them, CMS stated that further collection efforts would not be cost-effective. According to CMS, medical services at issue in these MSP debts are typically from the early 1990s and often involve Medicare services from the mid- to late 1980s. CMS indicated that the costs of

validating the debts and the costs and fees associated with DCIA cross-servicing and TOP were too great to justify additional collection efforts. However, as we stated in the report, CMS could not provide any documentation to support its position that it is not cost-effective to attempt to collect older MSP debts, and CMS did not test this assumption in its MSP pilot project.

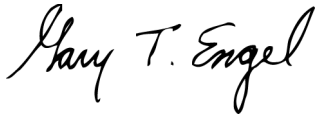
CMS's efforts to collect this debt prior to close-out were not adequate. The Federal Claims Collection Standards require that before terminating collection activity, agencies are to pursue all appropriate means of collection and determine, based on the results of the collection activity, that the debt is uncollectible. According to discussions with Medicare contractor officials, the collection activity for many of these MSP debts was limited to issuance of demand letters, which does not satisfy the requirement that all appropriate means of collection action be pursued on debts. In addition, most of the closed-out MSP debts at the Medicare contractors we visited were less than 10 years delinquent and therefore could have been referred to PSC for collection action, including reporting to TOP. As such, we continue to believe that CMS should assess MSP debt to determine whether additional collection activity is appropriate in light of the minimal prior collection activity.

As agreed with your office, unless you announce its contents earlier, we plan no further distribution of this report until 30 days after its issuance date. At that time, we will send copies to the chairmen and ranking minority members of the Senate Committee on Governmental Affairs and the House Committee on Government Reform and to the ranking minority member of your subcommittee. We will also provide copies to the secretary of health and human services, the inspector general of health and human services, the administrator of the Centers for Medicare & Medicaid Services, and the secretary of the treasury. We will then make copies available to others upon request.

If you have any questions about this report, please contact me at (202) 512-3406 or Kenneth Rupar, assistant director, at (214) 777-5600. Additional key

contributors to this assignment were Matthew Valenta and Tanisha Stewart.

Sincerely yours,



Gary T. Engel
Director
Financial Management and Assurance

Comments from the Centers for Medicare & Medicaid Services

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

DATE: JAN 30 2002

TO: Gary T. Engel, Director
Financial Management and Assurance
General Accounting Office

FROM: Thomas A. Scully
Administrator
Centers for Medicare & Medicaid Services

SUBJECT: General Accounting Office (GAO) Draft Report, *Debt Collection Improvement Act of 1996: HHS' Centers for Medicare & Medicaid Services Faces Challenges to Fully Implement Certain Key Provisions* (GAO-02-307)

Thank you for the report on our progress in implementing the major provisions of the Debt Collection Improvement Act (DCIA) of 1996. We are continually striving not only to improve our debt management policies and recover monies owed to us but also to ensure that taxpayer monies are only spent for their intended purpose.

We are extremely proud of our work in referring delinquent debt to the Department of the Treasury (Treasury). Early on, we developed an aggressive plan to implement the DCIA and have faithfully followed it with great success, having referred more than $4 billion in delinquent debt that is more than 180 days old during the past 2 years. In order to accomplish this task, we hired additional staff, developed new procedures, and held extensive nationwide training sessions for both the Centers for Medicare & Medicaid Services' (CMS)'s staff and more than 50 Medicare contractors. Accomplishments have not come easily as debts needed to be validated, procedures implemented, and systems tested in order to integrate and reconcile our debt with the even larger Department of Health and Human Services' (HHS)'s debt portfolio.

We created a centralized debt referral system enabling all of our contractors to access one centralized database. This system was then linked with HHS' Program Support Center to ensure an orderly flow of delinquent debt for cross servicing and offset. While referrals began slowly through a number of pilot programs, it was a necessary process which allowed us to identify and to work through and resolve issues that inevitably arise in any new Government-wide program before expanding it on a nationwide basis. Our training program continues on an ongoing basis with monthly teleconferences, annual conferences, and the identification and adoption of best practices. We are confident that we will attain our goal of having all eligible debt referred to Treasury by the end of this year as part of our overall financial management plan.

We appreciate your staff's work and recommendations to improve our referral process in a very complex and complicated debt management arena. We agree with five of the six recommendations in the report and have already started work on their implementation. However, we do not believe that referring Medicare Secondary Payer (MSP) debts that are over 6 years old will result in any significant amount of recoveries.

We also agree with your assessment that CMS's challenge continues to be the lack of a financial management system that fully integrates CMS's accounting systems with those of the Medicare contractors. This makes the debt referral process resource intensive. As you are aware, we are committed to also meet this challenge and are in the process of developing an integrated accounting system under our Healthcare Integrated General Ledger Accounting System project. Our first pilots are scheduled for early next year.

We will continue to work with GAO and Congress to refer all eligible debt and increase our efforts to prevent debt from occurring in our programs.

Attachments

Attachment 1

GAO Recommendation

To help ensure that CMS promptly refers all eligible delinquent Medicare debts to program safeguard contractor (PSC), as we recommended in September 2000, and that all benefits from closed-out debts are realized, we recommend that the Administrator of CMS:

Establish and implement policies and procedures to monitor contractors' implementation of CMS' May 2001 instructions to ensure the prompt referral of eligible MSP debts.

CMS Response

The CMS agrees with this recommendation and plans to issue a letter to our regional offices by the end of January providing them with guidance related to the ongoing monitoring of contractor MSP debt referral activities. In addition the contractor performance evaluation protocol for MSP has been revised to include the review of MSP debt referral activities.

GAO Recommendation

Implement changes to CMS's non-MSP debt tracking systems so that CMS personnel will be better able to monitor contractors' referral of eligible non-MSP debts as required by CMS's April 2001 instructions to contractors.

CMS Response

The CMS agrees with this recommendation. The CMS has identified system enhancements required to better monitor contractors' progress in referring eligible non-MSP debts. The request for these system changes has been forwarded to the appropriate CMS programming staff.

GAO Recommendation

Develop and implement a comprehensive referral plan for all eligible delinquent Medicare debts that includes timeframes for promptly referring all types of debts, including MSP liability and Part A claim adjustments debts.

CMS Response

The CMS agrees with this recommendation and is currently finalizing its comprehensive debt referral plan. This plan includes activities and timeframes for the referral of all eligible delinquent Medicare debt. The CMS has in place a financial management plan outlining the complete referral of eligible delinquent debt by the end of fiscal year 2002. The CMS has consistently met the goals established in this plan.

GAO Recommendation

Perform an assessment of all MSP debts being closed out because they are more than 6 years and 3 months delinquent to determine whether to pursue collection action on the debts, and document the results of the assessment.

CMS Response

The CMS disagrees with this recommendation. Once CMS is current on its DCIA referral activities, debts will routinely have been referred to the PSC under the CMS MSP DCIA referral process before they qualify for "write-off -- closed." The medical services at issue in the MSP debts which currently qualify for "write-off closed" are routinely from the early 1990s and often involve Medicare services from the mid-to late 1980s. Further collection efforts on these debts is not cost effective due to the cumulative effect of the following factors: the average percentage of valid documented defenses in response to demands, the costs involved in contractor review and validation of these debts (particularly if the debtor disputes the debt), and the fees/costs associated with DCIA cross servicing and Treasury offset program.

GAO Recommendation

Establish and implement policies and procedures for reporting closed-out Medicare debts, when appropriate, to IRS.

CMS Response

The CMS agrees with this recommendation. We have met with staff from the Office of General Counsel and are in the process of determining appropriate actions to take on reporting closed out Medicare debt to the Internal Revenue Service (IRS) under revised Federal Claims Collection Standards, revised OMB Circular A-129, and IRS regulations.

GAO Recommendation

Validate the accuracy of debt-eligible amounts reported on the Medicare Trust Fund Treasury Report on Receivables Due From the Public by establishing a process that ensures, among other things, (1) accurate reporting of the aging of certain delinquent debts, (2) accurate and complete reporting of debts excluded from referral requirements, and (3) verification of data entry for referral amounts.

CMS Response

The CMS agrees with this recommendation. We have modified our current process to further ensure the accurate reporting of the aging of delinquent debts and the accurate reporting of debts excluded from referral. In addition, we plan to establish a process for the verification of referral amounts.

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