

**Review of the RRB's Contract with Consultative Examinations, Ltd.
For Medical Consulting Services
Report No. 02-02, January 4, 2002**

INTRODUCTION

This report presents the results of the Office of Inspector General's (OIG) review of the Railroad Retirement Board's (RRB) contract with Consultative Examinations, Ltd. (CEL) for medical consulting services.

BACKGROUND

The RRB's mission is to administer retirement, survivor, unemployment, and sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA). During fiscal year 2000, the RRB paid \$8.3 billion in net retirement and survivor benefits to about 724,000 beneficiaries and \$76.5 million in net unemployment and sickness benefits to about 37,000 railroad workers.

The disability program is mandated by the RRA and administered by the Office of Programs. This office is responsible for evaluating evidence submitted in support of disability applications, obtaining additional evidence, and awarding or denying disability benefits. Medical consulting services are used in making determinations of disability for railroad employees or their dependents.

Effective October 1, 2000, a new contract to provide medical consulting services was awarded to CEL of Chicago, Illinois. The one-year CEL contract has an option for four years that allows for an annual extension of one year. The contract requires CEL to pick up paper claim folders or receive electronic claim folders with disability information, render advisory medical opinions, and return the claim folders and opinions to the RRB. CEL also provides medical expertise, advice, and consultation in the area of disability benefit and claim matters. In addition, CEL provides training and other professional services to RRB disability staff as required.

When RRB claims examiners determine that they need a medical opinion for a disability case, they prepare a route slip and request sheet, and submit these items along with the claim folder to the Office of Programs staff person in charge of preparing the folders for CEL pickup. This staff person uses the RRB's Automated Folder Control System to log the folders out to CEL and obligates RRB money in the Federal Financial System (FFS) to CEL. When claim folders are returned, the staff person logs the folders into the RRB and returns folders to the requesting claims examiners for review. The claims examiner releases the FFS payment when approving the medical opinion.

Since September 2001, CEL has contracted with a private delivery service to ship folders between the RRB and the CEL facility. The delivery service arrives at the RRB every work day to pick up new folders and return claim folders with completed medical opinions. The delivery service ships the folders in locked plastic storage containers and

makes no other stops between the RRB and CEL. Before September, CEL performed the shipment using the same procedure.

For the contract period October 1, 2000 through September 30, 2001, the RRB received 5,913 medical opinions. The total amount paid during the first year of this contract was \$340,011, of which \$337,041 was for medical opinions and \$2,970 for professional services.

The Bureau of Supply and Service (BSS) manages the agency's contracting activities including selection, award, administration, and close out. The Director of Supply and Service is the agency's Contracting Officer and is the only person authorized to make or approve changes in the contract requirements. The Director of Supply and Service has designated the Director of Disability, Sickness and Unemployment Benefits to serve as the Contracting Officer's Technical Representative (COTR). The COTR's responsibilities include the following:

- ensure that the Contractor complies with all technical requirements of the work defined in the scope of work;
- monitor the administrative and fund aspects of the contract;
- assist the Contractor in interpreting technical requirements of the subject contract's scope of work; and
- assist in the closeout of the contract.

In addition, there is a BSS Contract Administrator who is the RRB contact person for all administrative matters pertaining to the contract.

The CEL contract impacts several RRB strategic objectives. They include goals to:

- pay benefits accurately and timely;
- use outside sources and partnerships, when appropriate, to accomplish our mission; and
- ensure that the RRB consistently pays the lowest price for products and services commensurate with quality, service, delivery, and reliability.

Results of the OIG's recent review of the RRB contract with Comprehensive Health Service, Inc. for disability examination services identified the need for several improvements for more effective contract monitoring (Audit Report No. 01-10, August 7, 2001). The OIG performed this CEL review because of the similar nature of the contracts.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this review was to determine how effectively the RRB is monitoring the contract with CEL. This objective included assessing how the RRB ensures that CEL

adheres to the contract. Our scope covered contract performance since October 1, 2000.

To accomplish the audit objective, the OIG performed the following audit steps:

- reviewed applicable laws, regulations, procedures, and other background material;
- prepared a preliminary analysis of controls;
- reviewed the CEL contract;
- conducted interviews with RRB and CEL officials;
- examined management reports for the first contract year to determine if the reports were relevant and included pertinent data;
- traced selected performance data from management reports to source data;
- observed and discussed the shipment of claim folders to/from CEL; and
- performed an unannounced visit to the CEL site facility in Chicago, Illinois.

The fieldwork was performed at the RRB's headquarters and at CEL's facility in Chicago, Illinois during the period August through November 2001. This audit was performed in accordance with generally accepted government auditing standards appropriate for this type of review.

RESULTS OF REVIEW

This review determined that improvements are needed for more effective monitoring of CEL's performance. CEL is not providing adequate security over RRB claim folders at its facility. CEL is not performing an adequate quality assurance review and providing quarterly quality assurance review reports to the RRB. In addition, the RRB did not have on file the current medical license for one of the ten doctors preparing medical opinions and did not have on file the current corporate license for CEL. Also, RRB management reports do not contain all the relevant data on CEL's performance. Additional details of findings are provided in the following sections of this report.

SECURITY AND PRIVACY OF RRB FOLDERS

CEL is not providing adequate security over RRB claim folders at its facility. The RRB claim folder contains confidential information concerning RRB annuitants and is subject to the Privacy Act.

Provision 7b of the contract with CEL states that "the Contractor shall ensure the privacy, confidentiality, and safety of the physical and electronic case files while the files are in the possession of the Contractor and shall not remove, alter, copy or otherwise damage file material." The contract also stated that CEL would maintain a dedicated suite for only RRB work, the suite would be locked at all times, and cabinets used to store the files would be fire-proof.

The OIG's unannounced visit to the CEL facility disclosed the following:

- The auditors were not asked for any identification.
- The suite containing RRB contract work was unlocked.
- Some general office supplies are stored in the same suite as the claim folders and CEL staff entered the room to obtain these supplies.
- File cabinets used to store the RRB claim folders are not fire-proof.
- CEL's inventory system for the RRB claim folders is not adequate to track all claim folders at its facility. CEL tracks work on RRB folders using daily Microsoft Excel spreadsheet showing the RRB claim number, type of case, due date and medical consultant assigned. During the OIG's surprise visit, the confirmation of RRB folders at the CEL site required two visits as the folders were misplaced and CEL initially could not locate the RRB claim numbers on their daily spreadsheets.
- CEL's procedure to ensure compliance with the Privacy Act and contract provisions for privacy, confidentiality and safety of the claim folders is inadequate. The CEL President advised that she verbally informed doctors of the Privacy Act and that doctors know about privacy and confidentiality requirements because of their professionalism (doctor/patient relationship). The doctors are independent contractors of CEL.

The RRB inspected the CEL site prior to the contract award, but has not visited the suite since the contract started in October 2000. Also, the RRB has not taken steps to ensure that CEL, including the doctors, has complied with the Privacy Act and the contract provisions for the privacy, confidentiality, and safety of the claim folders.

Because of the weaknesses in security over RRB claim folders, there is a risk that the folders could be misplaced, lost, or stolen or file material could be removed, altered, copied or damaged. There is also a risk that unauthorized persons can obtain access to information in the RRB claim folders.

Recommendations:

The Office of Programs should:

- direct CEL to immediately take steps to fully comply with security provisions of the contract (Recommendation #1), and
- perform periodic, unannounced reviews of the CEL facility to assess the security over RRB folders (Recommendation #2).

The Bureau of Supply and Service should:

- take action to ensure that CEL is complying with the Privacy Act and contract provisions for the privacy, confidentiality and safety of the claim folders (Recommendation #3).

Management's Response

The Office of Programs concurs with recommendations #1 and #2. The Bureau of Supply and Service concurs with recommendation #3.

QUALITY OF PERFORMANCE

CEL is not performing an adequate quality assurance review and providing quarterly quality assurance review reports to the RRB.

Provision 8 of the contract requires CEL to "monitor the quality of its service rendered under this contract and ensure the correction of noted deficiencies by implementing and executing a quality assurance plan." The purpose of this plan is to ensure the accuracy and timeliness of the claims review, and consultants are required to meet performance standards in both accuracy and processing time. The provision also requires CEL to submit a quarterly report to the RRB consisting of detailed forms that identify each of the cases reviewed and a statistical and narrative analysis of the findings.

The quality assurance plan covers aspects of the claims review and medical opinions provided by the doctors. The main component of the plan consists of a second review of a random sample of RRB cases by CEL's Chief Medical Consultant or designee. The Chief Medical Consultant reviews the sampled cases and assesses whether the doctor's work contains deficiencies, such as incorrect medical opinion or incorrect explanation or documentation to support the opinion.

The Office of Programs is responsible for monitoring the quality of CEL's performance with respect to rejected medical opinions ("Rejects"). The RRB rejects a CEL opinion if there is inconsistent or missing information, clarification is needed, or there is any other type of question in reference to the opinion.

The Office of Programs did not receive any quarterly quality assurance reports from CEL and did not follow up with CEL concerning the reporting requirement until August 16, 2001. On October 12, 2001, CEL submitted a quality assurance report for the full contract year. This report provided a statistical/narrative analysis of cases and a monthly list of cases reviewed, but did not provide the detailed form identifying each reviewed case that is required by the contract.

The CEL report shows that the Chief Medical Consultant found no errors for the sample cases that she reviewed during the entire year (approximately 5% of total cases received). However, the Office of Programs rejected 6.3% of CEL medical opinions submitted from January 1 through September 30, 2001.

Because CEL has not performed the quality assurance reviews and submitted quality assurance reports that fully comply with contract provisions, it is more difficult for the Office of the Programs to monitor the quality of CEL's performance under the contract.

Recommendation:

The Office of Programs should establish procedures to ensure that CEL performs a timely quality assurance review and submits quarterly quality assurance reports that fully comply with the contract provisions (Recommendation #4).

Management's Response

The Office of Programs concurs with this recommendation.

LICENSES

The RRB did not have on file the current medical license for one of the ten doctors preparing medical opinions as of October 1, 2001. The copy of this doctor's license in the RRB's contract file had expired September 2000.

In addition, the RRB did not have the current corporate license for CEL on file. The copy in the RRB's contract file expired in January 2001.

The Bureau of Supply and Service maintains a contract file with all pertinent documents for the CEL contract. The Director of Disability, Sickness and Unemployment Benefits also maintains a COTR file.

In response to requirements in the solicitation concerning adequate personnel staffing and qualifications, CEL provided resumes and copies of licenses for the doctors who would be working on RRB cases. Also, in response to requirements concerning sufficient corporate experience and past performance, CEL provided a copy of its corporate license. The contract requires that all doctors performing services should be currently licensed in the state of Illinois. In addition, the contract requires CEL to provide resumes and copies of licenses for any new doctors performing medical opinions.

The license certificates for doctors and for CEL certify that the doctor or corporation "has complied with the provisions of Illinois Statute and/or rules and regulations and is hereby authorized to engage in the activity indicated..." Thus, the RRB should have copies of the current licenses for doctors performing medical opinions on RRB cases and of the corporate license for CEL.

The Office of Programs and Bureau of Supply and Service currently do not have procedures in place to obtain the current license of doctors preparing medical opinions

or the corporate license. As a result, the RRB is at risk of doing business with doctors and/or a corporation that may be unlicensed.

Recommendations:

The Office of Programs should:

- obtain from CEL an updated license for the one identified doctor and the current CEL corporate license as soon as possible (Recommendation #5).

The Bureau of Supply and Service should:

- establish procedures to ensure the RRB receives timely updates of licenses for the doctors performing services and the CEL corporate license (Recommendation #6).

Management's Response

The Office of Programs implemented recommendation #5. The Office of Programs received the updated license for the doctor and received copies of the updated corporate license for 2001 and 2002. The Bureau of Supply and Service concurs with recommendation #6.

MANAGEMENT REPORTS

The Office of Programs is not fully reporting CEL's performance. The Office of Programs' monthly Report on Medical Vendors Performance does not show separate totals for the number of routine and urgent opinions completed. The report contains the total number of medical opinions completed by CEL, the mean processing time of routine and urgent cases, and the percentage of all cases completed timely. In addition, the Office of Programs does not formally report the number of rejected medical opinions.

When RRB claims examiners request medical opinions, they separate folders into three categories, "Urgent," "Routine," and "Rejects." The contract stipulates that CEL should receive, review and prepare a medical opinion within five business days for a "Routine" case and two business days for an "Urgent" case. CEL is required to meet these timeliness standards in at least 95% of the cases.

Data on urgent and routine cases is tracked on the FFS system. Obligation of a case establishes the due date, which can then be compared with the date accepted by the claims examiner when approving the medical opinion. This FFS data is compiled by the Bureau of Information Services and is the basis for the Office of Programs' monthly reports. The OIG's limited testing of data in the monthly reports did not reveal any discrepancies with the FFS source data.

Also, the Office of Programs staff person who logs the claim folders in and out to CEL regularly informs the COTR how many medical opinions are rejected. Office of Programs management used this data in preparing the June 2001 special study of rejected medical opinions and in providing the OIG with the rejection rate of CEL medical opinions submitted from January 1 through September 30, 2001.

Internal control standards issued by the Government Accounting Office state that relevant information should be recorded and communicated to management. Also, statistics on rejected medical opinions provides one indicator for quality of CEL's performance under the contract.

The Office of Programs has not requested programming changes to reports that would separate data for urgent and routine medical opinions for some of the tracking information. Although staff in the Office of Programs compiles data on rejected cases, this data is not included in any monthly management report.

The management reports are not as useful for monitoring and assessing CEL's performance without this relevant information.

Recommendations:

The Office of Programs should include in its monthly reports:

- the number of routine and urgent cases (Recommendation #7) and
- the number and percentage of rejected medical opinions (Recommendation #8).

Management's Response

The Office of Programs implemented both recommendations. The Office of Programs began including the number of urgent and routine cases with the November 2001 report. The Office of Programs began including data on the number and percentage of rejected medical opinions with the Director of Operations' October 2001 administrative report.