

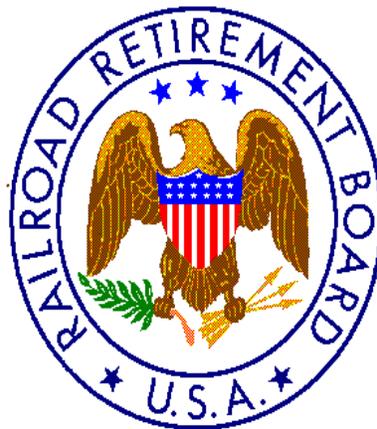
OFFICE OF INSPECTOR GENERAL

Audit Report

Audit of Payment Controls over Railroad Medicare Claims Submitted by Physical Therapists

*This abstract summarizes the results of the subject audit.
The full report includes information protected from disclosure
and has been designated for limited distribution pursuant to
5 U.S.C. § 552*

**Report No. 14-07
May 16, 2014**



RAILROAD RETIREMENT BOARD

REPORT ABSTRACT

Audit of Payment Controls over Railroad Medicare Claims Submitted by Physical Therapists

The Railroad Retirement Board (RRB), Office of Inspector General (OIG) conducted an audit of payment controls over Railroad Medicare claims submitted by physical therapists. Since April 2000, the RRB has contracted with its nationwide contractor Palmetto GBA, LLC (Palmetto) to process the Medicare Part B claims for Qualified Railroad Retirement Beneficiaries. As of September 28, 2012, Palmetto was awarded contract responsibilities as the Railroad Specialty Medicare Administrative Contractor.

The objective of the audit was to determine if physical therapy licensure requirements have been met by those providers that have submitted Railroad Medicare claims and that controls and edits are in place to ensure that only payments to authorized providers are processed.

The RRB-OIG identified four control weaknesses:

- Palmetto does not authenticate Railroad Medicare provider licenses. Unlicensed physical therapists identified in our testing received Railroad Medicare payments of \$55,205. Statistical testing identified a national physical therapist licensing error rate of 4.3% with estimated improper payments totaling \$1.8 million.
- Palmetto does not have adequate controls to ensure that payments are made only to authorized Railroad Medicare providers. Some providers identified in our sample performed physical therapy services and received Railroad Medicare payments of \$154,631 using invalid Railroad Medicare provider numbers. Our non-statistical analysis of physical therapists provider numbers identified a nationwide error rate of 30% with estimated improper payments totaling \$12.5 million.
- Railroad provider practice locations are not authenticated. An estimated 24% of the provider number records, for physical therapists enrolled in Railroad Medicare, have not been updated with the validated Centers for Medicare and Medicaid Services' practice location addresses.
- Physical therapy providers subject to disciplinary action by their state medical board are not identified and monitored. Our audit showed that some of these providers were under probation for serious malpractice or licensure violations.

To address the identified weaknesses, we made 10 detailed recommendations on how RRB officials should work with Palmetto officials to ensure that Palmetto:

- implements additional compensating controls for ensuring Railroad Medicare providers are licensed and initiate post payment recovery where the provider was not licensed or their provider number was invalid;
- establishes a process or automated reconciliation for ensuring that all Medicare Administrative Contractor revocation dates and validated practice locations are entered timely in the Railroad Medicare enrollment system; and
- develops controls for ensuring providers with state imposed disciplinary actions are monitored.

The RRB's Office of Programs has agreed to work with Palmetto to take corrective action on seven of our ten recommendations. However, they have not agreed to work with Palmetto to take corrective action on two of our recommendations related to the post payment recovery of estimated improper payments totaling \$1.8 million and \$12.5 million.

In addition, the Office of Programs has not agreed to work with Palmetto to take corrective action on our recommendation related to Railroad Medicare providers subject to state disciplinary actions.