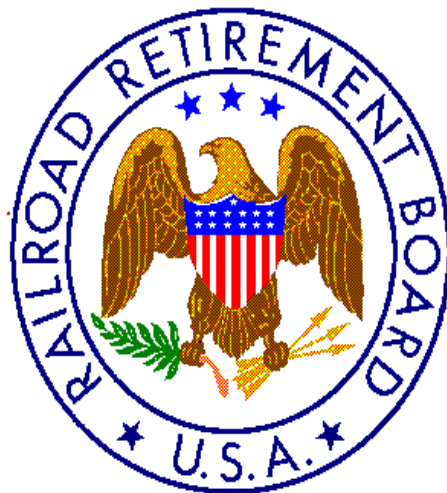


**OFFICE OF INSPECTOR GENERAL**  
**Audit Report**

**Audit of the Railroad Medicare Part B Eligibility  
and Premium Collection Process**

**Report No. 12-10**  
**September 26, 2012**



**RAILROAD RETIREMENT BOARD**

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## EXECUTIVE SUMMARY

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The Railroad Retirement Board (RRB), Office of Inspector General (OIG) conducted an audit of the Railroad Medicare Part B Eligibility and Premium Collection Process. The audit focused on the eligibility of Railroad Medicare participants, the accuracy of Part B premiums and penalties, and the adequacy of documentation acquired and maintained when Part B is declined. The RRB-OIG conducted this audit at RRB headquarters in Chicago, Illinois from July 2011 to June 2012.

### Key Findings

The RRB-OIG identified the following weaknesses:

- A penalty amount was omitted from a manual Part B Medicare premium determination.
- Ineffective controls exist for manually determining Railroad Medicare entitlement dates for disabled children.
- Inconsistencies were found between MIRTEL and the CMS' system records; in both instances RRB dual annuitant beneficiary records were involved.

### Key Recommendations

To address the identified weaknesses, we recommended that RRB officials take the necessary actions to establish and collect the receivable amount of the penalty omitted; issue a reminder alert with instructions for correctly processing closed period manual penalty amounts; provide further training to claims examiners that will address the risks of making an incorrect manual determination when processing Medicare claims for disabled children; and evaluate the impact of the inconsistent RRB dual annuitant beneficiary records in MIRTEL and ensure that these records do not present a risk for processing duplicate Medicare claims.

### Management's Response

The Office of Program's has initiated corrective action addressing two of our recommendations, and has agreed to address two of our recommendations. The full text of management's response is included in this report as Appendix II.

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## INTRODUCTION

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This report presents the results of the Office of Inspector General's (OIG) audit of the Railroad Medicare Part B eligibility and premium collection process at the Railroad Retirement Board (RRB).

### **Background**

The RRB is an independent agency in the executive branch of the Federal government. The RRB administers the retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death, temporary unemployment, or sickness. The RRB paid approximately \$11.1 billion in retirement/survivor and unemployment/sickness benefits to approximately 607,000 beneficiaries during fiscal year (FY) 2011.

### Medicare

Medicare is the Federal health insurance program for people age 65 and older. Certain people who are under 65 can qualify if they are disabled. Medicare helps with the cost of health care but does not cover all medical expenses or the cost of long term care. Medicare is financed by a portion of the payroll taxes paid by workers and their employers. It is also financed by monthly premiums paid by Medicare beneficiaries. The Centers for Medicare & Medicaid Services (CMS) of the U.S. Department of Health and Human Services is in charge of the Medicare program.

Medicare Part A hospital insurance covers approved inpatient services in a hospital, skilled nursing facility, home health care, and hospice services. The Part A program is financed by special contributions from employees and self employed individuals, with employers paying an equal amount. Most beneficiaries do not have to pay premiums for Part A coverage.

Medicare Part B medical insurance helps pay for doctors' services and many other medical services and supplies that are not covered by hospital insurance. Anyone who is eligible for free Medicare hospital insurance (Part A) can enroll in medical insurance (Part B) by paying a monthly premium. An individual not eligible for free hospital insurance can also purchase medical insurance if they are 65 or older. Typically, beneficiaries with higher incomes will pay a higher premium. In addition, eligible participants who do not enroll when first eligible may be subject to a penalty of 10% for each 12-month period the participant could have been, but was not enrolled for Part B.

## Railroad Medicare

In May 1966, the Social Security Administration (SSA) delegated authority to the RRB for administering certain provisions of the Medicare program for Qualified Railroad Retirement Beneficiaries (QRRBs). These provisions included enrollment, premium collection and selection of a carrier to process Medicare Part B claims. The enactment of Public Law 92-603 in October 1972 amended the Social Security Act and granted the RRB jurisdiction over all QRRB's that were receiving benefits from both the RRB and the SSA. At the end of FY 2011, approximately 482,000 railroad retirement beneficiaries were enrolled in Medicare Part A of whom approximately 464,000 enrolled in Part B of the program.

Within the RRB, the Office of Programs is responsible for enrollment, premium collections and refunds, and record maintenance for QRRBs.

Information about eligible aged and disabled Medicare beneficiaries is entered into the RRB's Medicare computer system, Medicare Information Recorded, Transmitted, Edited and Logged (MIRTEL). RRB uses MIRTEL to edit the information, sets up a pending record for the beneficiary, and transmits the information to CMS and the Social Security Administration (SSA).

As part of its oversight responsibilities under the Inspector General Act of 1978, as amended, the RRB-OIG conducts audits and investigations of alleged fraud, waste, and abuse within the Railroad Medicare program. For approximately ten years, beginning in fiscal year 1997, an appropriations law restriction prohibited the RRB-OIG from conducting Railroad Medicare oversight activities. In December 2007, Public Law 110-161 restored the RRB-OIG's oversight authority for Railroad Medicare.

Program risks include ineligible participants receiving hospital and medical coverage, the correct amount of premiums not being collected, and participants entitled to and requesting participation not being properly enrolled. This audit addresses the RRB's strategic objectives of paying benefits accurately, and ensuring effectiveness and efficiency of operations.

### **Audit Objectives**

The objectives of the audit were to determine if Railroad Medicare participants were actually eligible for the Railroad Medicare program, whether Part B premiums and penalties were correctly assessed, and if adequate documentation was acquired and maintained when Part B is declined.

## **Scope**

Our audit scope included those QRRBs that were maintained in the MIRTEL system as of November 2011.

## **Methodology**

To accomplish our objectives, we:

- reviewed laws and regulations related to the RRB's participation in Medicare;
- documented RRB policies and procedures;
- conducted interviews with appropriate RRB management and staff;
- identified key automated processes related to the Railroad Medicare operations;
- identified key internal controls and assessed the effectiveness of the controls;
- performed detailed tests of annuitants' records;
- verified the accuracy of Medicare Part A only enrollments; and
- verified the accuracy of Medicare Part B premiums, and Medicare penalty amounts.

Our testing methodology considered the risks inherent with unreliable data and the availability of corroborating evidence in the form of source documents as recommended by the Government Accountability Office. We determined whether computer processed data could be used for testing purposes by validating that our data extract was equivalent to the data residing in the MIRTEL system.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our fieldwork at the RRB's headquarters in Chicago, Illinois from July 2011 to June 2012.

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## RESULTS OF AUDIT

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Our review determined that the tested Railroad Medicare participants were eligible for and enrolled in the Railroad Medicare Program and that adequate supporting documentation was acquired and maintained when Medicare Part B was declined. However, Railroad Medicare Part B program controls were not always effective to ensure that manually computed entitlement dates are correct and that Medicare Part B premium penalties were properly assessed when manual intervention was required. Additionally, Medicare data inconsistencies were found to be present both within the RRB's MIRTEL system and when MIRTEL was compared with CMS system records. Our review disclosed the following weaknesses:

- A penalty amount was omitted from a manual Part B Medicare premium determination.
- Ineffective controls exist for manually determining Railroad Medicare entitlement dates for disabled children.
- Inconsistencies were found between MIRTEL and the CMS' system records; in both instances RRB dual annuitant beneficiary records were involved.<sup>1</sup>

The details of our findings and recommendations for corrective action are discussed throughout the remainder of this report.

### **Manual Penalty Amount Was Omitted From the Part B Premium Determination**

Our review identified a penalty amount that was omitted from the Part B premium determination. Our review of 72 Medicare premium cases identified one disabled beneficiary with an incorrect Medicare Part B premium for a closed two month period in 2004. A penalty rate should have been in effect, but was erroneously omitted.

The Medicare handbook, *Medicare and You*, states that a Medicare Part B premium rate is increased by a 10% penalty over the basic rate amount for each 12 month period that the beneficiary could have been, but was not enrolled for Part B. If the beneficiary did not enroll for Medicare Part B at any time during his initial enrollment period, he would not get a chance to enroll until the next general enrollment period (January 1 through March 31). If this happens, the annuitant could be assessed a premium penalty for late enrollment, if the general enrollment period was 12 or more months after his initial enrollment period, unless the beneficiary qualified for a special enrollment period.

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<sup>1</sup> An RRB dual annuitant beneficiary is any case in which a person applies for or may be entitled to an annuity on each of two different RRB account numbers. One of the account numbers is considered the primary record and the other is considered the secondary.

The omission of the penalty amount was the result of a manual error made by an RRB Medicare examiner. The Medicare examiner's action to change the Medicare Part B entitlement was incomplete; the effective date was changed to the correct effective date, but they did not change the premium rate to include the penalty amount. The unique timing attributes of this case also contributed to the examiner error.

As a result of the omission of the penalty amount, the Medicare Part B premium was lower than it actually should have been for a two month period. The total amount of this error for the period amounted to \$66.60. The transfer of the premium to CMS was incorrectly understated by this amount as a result of this omission. While the understatement was not material, other similar instances where penalties were not assessed may be present in the universe of cases that were not tested within our sample.

### Recommendations

We recommend that the Office of Programs:

1. take the necessary actions to establish and collect the receivable amount of the penalty for this beneficiary; and
2. issue a reminder alert with instructions for correctly processing closed period manual penalty amounts.

### Management's Response

In response to recommendation 1, the Office of Programs advised that the receivable amount was collected on August 30, 2012.

In response to recommendation 2, the Office of Programs plans to provide the recommended training by September 30, 2012.

### **Ineffective Controls for Determining Medicare Entitlement Dates for Disabled Children**

An RRB Medicare examiner did not properly determine the entitlement date for a disabled child annuitant and the RRB's control process did not identify the error. Our case review identified one disabled child with an incorrect Railroad Medicare Part A entitlement date.

The Medicare examiner manually determines the effective date by choosing the latest of five applicable dates. In this case, the examiner miscalculated the latest of the five dates.



The process for determining Medicare entitlement dates for disabled children is a manual process that is completed by Medicare examiners and is not subject to secondary review. As a result, this process is at a greater risk of making an incorrect determination of the Railroad Medicare entitlement date.

An incorrect Railroad Medicare entitlement date can lead to erroneous claims being processed for the period that the beneficiary was not actually entitled to benefits. As the entitlement date for the case was effective in 1995, we were unable to determine if erroneous Railroad Medicare claims were processed for that record based on the incorrect entitlement date.

### **Recommendation**

3. We recommend that the Office of Programs provide further training to claims examiners that will address the risks of making an incorrect manual determination when processing Medicare claims for disabled children.

### **Management's Response**

In response to recommendation 3, the Office of Programs plans to implement a new form to support the manual determination process and provide training by December 31, 2012.

### **RRB-OIG's Comments on Management's Response**

In its response to our report, the Office of Programs also stated that the audit test results showed that controls operated effectively in at least 98% of cases tested and that the audit identified only two errors, both occurring more than 8 years ago.

Our testing did not employ statistical sampling; therefore this rate of accuracy cannot be projected to the population. Additionally, each of the sample cases reviewed did not include the specific characteristics of the errors that required manual intervention. For example, only one of the tested cases required a manual penalty calculation and this case was found to be in error. Similarly, only one tested case involved a disabled child which required a manual determination of the eligibility date. Again, this single manual calculation case was found to be in error. As such, the error rate for the population cannot be projected based on the limited number of cases in our sample with the specific characteristics.

## **Inconsistent RRB Dual Annuitant Beneficiary Records Exist within RRB's MIRTEL System**

Inconsistent records were identified in the MIRTEL system that did not accurately reflect the actual status of Medicare entitlement. In 26 cases where the Medicare beneficiary was classified as an RRB dual annuitant beneficiary, 9 had dates in their secondary records and 17 had no dates in the secondary record. In addition, 21 of the 26 RRB dual annuitant beneficiaries were inconsistently cross referenced in CMS system records.

Guidance provided within the Government Accountability Office's publication, *Assessing the Reliability of Computer-Processed Data*, states that: "Consistency, a subcategory of accuracy, refers to the need to obtain and use data that are clear and well defined enough to yield similar results in similar analyses. For example, if data are entered at multiple sites, inconsistent interpretation of data entry rules can lead to data that, taken as a whole, are unreliable."

RRB officials were unable to provide a clear explanation as to why these inconsistencies would occur in the MIRTEL system. One possible cause provided is that because these were old cases they might have been part of a MIRTEL Master Conversion of information and during the conversion some record fields did not get updated. However, all of the RRB dual annuitant beneficiary cases reviewed were properly cross-referenced to their primary account in MIRTEL, which did contain the correct Medicare entitlement information.

Incomplete information in a MIRTEL record can impact the data that is provided to CMS for use in their systems in which Medicare claims are processed. If RRB dual annuitant beneficiary records within the RRB's MIRTEL system do not contain complete information in all data fields, consistency with CMS system records cannot be ensured. If a record is not accurately cross referenced, there is the possibility that duplicate Medicare claims can be filed and processed.

### **Recommendation**

4. We recommend that the Office of Programs evaluate the impact of the inconsistent RRB dual annuitant beneficiary records in MIRTEL and ensure that these records do not present a risk for processing duplicate Medicare claims.

### **Management's Response**

In response to recommendation 4, the Office of Programs reviewed the example cases that were provided by the RRB-OIG in preparation for the closing conference. The Office of Programs determined that the questioned records date back to the early 1980s when the MIRTEL file was created from legacy data and concluded that the records present no risk to current processing. The Office of Programs shared its conclusions at the closing conference and continues to believe that the issue has been fully explored.

## RRB-OIG's Comments on Management's Response

While the Office of Programs has provided a reasonable explanation in response to our concerns, we have not received documentation supporting the results of its case review that will enable us to validate their conclusion.

In responding to our concerns over the accuracy of the secondary MIRTEL records of certain dual annuitants, the Office of Programs stated that the Services Tracking, Analysis, & Reporting System (STARS) is not an operational source of entitlement or enrollment information for claims processing and that its systems do not exchange data with STARS.

The RRB transmits MIRTEL record data to CMS on a daily basis. CMS' Medicare claims data is the direct source for its STARS national database. However, the primary concern for the Office of Programs is whether duplicate Medicare claims can be processed.

## **SAMPLING METHODOLOGY AND RESULTS OF RANDOM SAMPLING**

This appendix presents the methodology and results of our random sample test for the verification of Part A and Part B enrollment and premium calculations.

### **Sample Objectives**

Our random sampling objectives were as follows:

1. To verify the accuracy of Medicare Part B enrollment dates and premiums rates.
2. To determine if the records pertaining to beneficiaries with Medicare Part A coverage and no Part B coverage are accurate.
3. To verify that there were no improper Medicare Part A and/or Part B claims paid to Railroad beneficiaries.
4. To determine if the records pertaining to Railroad beneficiaries with no Medicare Part A coverage and no Part B coverage are accurate.
5. To determine if any inconsistencies exist in the RRB's MIRTEL and CMS system records pertaining to RRB Dual Annuitant Beneficiaries.

### **Scope**

The scope for each of the above mentioned tests are as follows:

1. For our first objective, we selected a random sample of 72 records from a population of 469,107 Railroad beneficiaries with Medicare Part B coverage in force as of November 21, 2011.
2. For our second objective, we selected a random sample of 50 records from a population of 16,318 Railroad beneficiaries with Medicare Part A coverage and no Medicare Part B coverage in force as of November 21, 2011.
3. For our third objective, we used the 50 records from our second test and queried CMS system records on April 10, 2012. We also used the 21 records from our fourth test and queried CMS system records on April 12, 2012.
4. For our fourth objective, we reviewed the population of 21 Railroad beneficiary records with no Medicare Part A and no Medicare Part B coverage in force as of November 21, 2011.
5. For our fifth objective, we reviewed 26 RRB Dual Annuitant Beneficiary records in force as of November 21, 2011.<sup>2</sup>

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<sup>2</sup> Five records were included in the 50 sample records mentioned in our second test, and the remaining 21 came from the 21 records reviewed in our fourth test.

## Sampling Methodology

We randomly selected our sample items from QRRBs in the RRB's MIRTEL system as of November 21, 2011.

## Data Consistency

We tested data consistency by comparing Medicare information in the RRB's MIRTEL system to information contained in CMS system records. We also determined if all RRB Dual Annuitant Beneficiaries were handled the same way in the RRB's MIRTEL system as well as in CMS system records.

## Data Accuracy

We verified that the Railroad Medicare enrollment date had been accurately determined and that the correct Railroad Medicare premium amount for the period had been assessed.

## Results of Sampling

Our testing identified 469,107 MIRTEL records with Medicare Part B premiums in force as of November 21, 2011. Our testing of randomly selected samples of records is summarized in the table below.

Random Sampling	Tested	Non-Exceptions	Exceptions	Error Rates
<b><u>Test attributes</u></b>				
<u>Internal Control Effectiveness</u>				
Railroad Medicare premium rate	72	71	1	(1%)
Railroad Medicare enrollment dates	50	49	1	(2%)
Improper Medicare claims paid	71	71	0	(0%)
Accuracy of Medicare records	21	21	0	(0%)
<u>Data Consistency</u> <sup>3</sup>				
MIRTEL record inconsistencies	26	17	9	(35%)
CMS record inconsistencies	26	5	21	(81%)
<b>Total Exceptions</b>			<b>32</b>	

<sup>3</sup> Five records were included in the 50 sample records mentioned in our second test, and the remaining 21 came from the 21 records reviewed in our fourth test.

As a result, we can conclude that the tested Railroad Medicare participants were eligible for and enrolled in the Railroad Medicare Program and that adequate supporting documentation was acquired and maintained when Medicare Part B was declined. However, Railroad Medicare Part B program controls were not always effective to ensure that manually computed enrollment dates are correct and that Medicare Part B premium penalties were properly assessed when manual intervention was required.

Because all of our sample cases did not require a manual computation, the full extent of the manual errors could not be determined. Additionally, Medicare data inconsistencies were found to be present both within the RRB's MIRTEL system and when MIRTEL was compared with CMS system records.



UNITED STATES  
GOVERNMENT

*MEMORANDUM*

FORM G-115f (1-92)  
RAILROAD RETIREMENT BOARD  
September 20, 2012

**TO:** Diana Kruei  
Assistant Inspector General for Audit

**FROM:** Ronald Russo *Ron Russo*  
Director of Policy and Systems

**THROUGH:** Dorothy Isherwood *D. Isherwood*  
Director of Programs

**SUBJECT:** Draft Report – Audit of Railroad Medicare Part B Eligibility and Premium Collections Process

**Recommendation 1** We recommend that the Office of Programs take the necessary actions to establish and collect the receivable amount of the penalty for this beneficiary.

**Office of Programs Response** The receivable amount was collected August 30, 2012.

**Recommendation 2** We recommend that the Office of Programs issue a reminder alert with instructions for correctly processing closed period manual penalty amounts.

**Office of Programs Response** We plan to provide the recommended training by September 30, 2012.

**Recommendation 3** We recommend that the Office of Programs provide further training to claims examiners that will address the risks of making an incorrect manual determination when processing Medicare claims for disabled children.

**Office of Programs Response** The Office of Programs plans to implement a new form to support the manual determination process and training will be provided at that time. Target Date: December 31, 2012.

**Draft Report – Audit of Railroad Medicare Part B Eligibility and Premium Collections Process, *continued***

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**Recommendation**  
4 We recommend that the Office of Programs evaluate the impact of the inconsistent RRB dual annuitant beneficiary records in MIRTEL and ensure that these records do not present risk for processing duplicate Medicare claims.

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**Office of Programs Response** We have reviewed the example cases that were provided to us by the OIG preparatory to the closing conference. At that time, we determined that the questioned records date to the early 1980s when the MIRTEL file was created from legacy data and present no risk to current processing. We shared our conclusions at the closing conference and we feel that this issue has been fully explored.

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**Overall Comments** We were pleased to see that audit test results showed that controls operated effectively in at least 98% of cases tested. However, the audit report concluded that controls over certain manual transactions "were not always effective." We would like to point out that the audit identified only two errors, both occurred many years ago; one during 2004 and the other during 1998 (8 and 17 years ago, respectively).

In addition, the audit report expressed concerns about data inconsistencies in both MIRTEL and Centers for Medicare & Medicaid Services (CMS) system records. During the closing conference, we provided an explanation for the secondary MIRTEL records of certain dual annuitants questioned by the auditors and explained why they pose no risk to accuracy. The auditors stated that they had thought that information in the CMS STARS system was impacted. We explained that STARS is not an operational source of entitlement or enrollment information for claims processing and that our systems do not exchange data with STARS.

cc: Director of Program Evaluation and Management Services  
Director of Unemployment and Programs Support Division