



U.S. RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

Controls over Medicare Premium Penalties and Refunds Can Be Improved

Report No. 20-07

June 4, 2020



What We Found

The Railroad Retirement Board (RRB) Railroad Medicare Part B premiums and associated penalties were generally calculated accurately and premium penalty refunds were issued timely. However, Medicare premium penalty and refund authorization controls were not effective. We considered the effectiveness of the Office of Programs' (Programs) Medicare premium penalty rate study and whether it had improved over time. We identified scenarios where Programs did not always adhere to its existing procedures or where procedures could be improved for calculating and authorizing Medicare premium penalties and refunds.

What We Recommend

To address the weaknesses identified in this audit, we made eight recommendations related to improving and strengthening its controls over the penalty calculation process, the accuracy of supporting data, and the policy and procedure and controls over the Medicare premium penalty and refund authorization process.

RRB management concurred with five recommendations and partially concurred with three recommendations. Although the agency partially concurred with three recommendations, we continue to see the need for our recommendations as stated.

What We Did

This audit was performed in response to concerns with open Office of Inspector General audit recommendations addressing prior Medicare premium penalty rate calculation weaknesses first reported in March 2009.

The scope of the audit was Programs' Medicare premium penalty rate study conducted from April 2009 through December 2012 and penalty cases residing in the Medicare Part B database, as of April 24, 2019.

Our objective was to determine if the RRB was calculating monthly Medicare Part B premiums with associated penalties accurately, and was issuing timely and appropriate penalty refunds to those beneficiaries that were assessed a penalty or adjustment in error. In order to complete this work, we considered laws, regulations, guidance and RRB policies and procedures related to Medicare Part B, tested RRB's compliance with both through three statistically valid and four nongeneralizable samples, and reviewed agency documentation, records, and system data. We also interviewed applicable agency staff.

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INTRODUCTION

This report presents the results of the Office of Inspector General's (OIG) audit report entitled, *Controls over Medicare Premium Penalties and Refunds Can Be Improved*.

Objectives, Scope, and Methodology

The audit objective was to determine if the Railroad Retirement Board (RRB) was calculating monthly Medicare Part B premiums with associated penalties accurately, and was issuing timely and appropriate penalty refunds to those beneficiaries that were assessed a penalty or adjustment in error.

The scope of the audit was 1) Medicare Part B penalties and associated premium cases, that were used in the penalty rate study, conducted by RRB from April 2009 to December 2012, and 2) penalty rate cases that currently reside as of April 24, 2019 on the Medicare Information Recorded, Transmitted, Edited and Logged (MIRTEL) On-Line Inquiry (MOLI) database, i.e., cases that were in current deduction or billing status at the time of the query.

To accomplish the audit objective, we

- identified criteria provided in laws, regulations, and guidance related to the Railroad Medicare Part B penalties and associated premiums;
- reviewed agency policies and procedures related to the Railroad Medicare Part B penalties and associated premiums;
- reviewed agency documentation, records, and system data related to Railroad Medicare Part B penalties and associated premiums, and support in MOLI, Data Query (DATA-Q), Medicare Payment System (MPS), Monthly Adjustment of MIRTEL Master (MAMMA), Universal System Tracking and Reporting (USTAR), and WorkDesk;¹
- interviewed applicable agency staff and conducted walkthroughs; and
- tested and analyzed three statistical samples and four nongeneralizable samples to verify the accuracy and completeness of the Railroad Medicare Part B penalties and

¹ At the Railroad Retirement Board (RRB), Medicare Information Recorded, Transmitted, Edited and Logged (MIRTEL) records and maintains health insurance information for all eligible Qualified Railroad Retirement Beneficiaries (QRRBs) and deemed QRRBs, both aged and disabled. MIRTEL On-Line Inquiry is a system which permits direct access to Medicare records for all eligible beneficiaries. Data Query provides an image of the monthly generated recurring annuity payments. Medicare Payment System is a system that allows Medicare premium refunds to be paid by direct deposit. Monthly Adjustment of MIRTEL Master is used to adjust for changes in both the monthly recurring annuity payments and the system records for all eligible beneficiaries. Universal System Tracking and Reporting is a database system used to assign and track work and provide details of actions taken on a record. Documents in the imaging system are accessed using WorkDesk.

associated premiums, assessed compliance with internal policies and procedures, and projected our assessments to the universe (See Appendices II, III, IV, V, VI, VII, and VIII).

We assessed the reliability of Railroad Medicare Part B penalty and associated premium data from MOLI, DATA-Q, MPS, and MAMMA by (1) reviewing the data for obvious errors in accuracy and completeness; (2) comparing the data to RRB source systems; and (3) making inquiries of agency officials knowledgeable about the data. In addition, we traced a sample of transactions to source documents and systems.

Our testing methodology also 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 (GAO).² We determined that the computer processed data obtained was sufficiently reliable for testing purposes and do not believe using the data would weaken our analysis of the audit objectives or lead to an incorrect or unintentional conclusion about our findings, conclusions, or recommendations.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We conducted our fieldwork at RRB headquarters in Chicago, Illinois from March 2019 through March 2020.

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. During fiscal year 2019, the RRB paid approximately \$13.1 billion in retirement and survivor benefits and \$93.2 million in unemployment and sickness benefits to approximately 535,000 and 24,000 beneficiaries, respectively.

Railroad Medicare

In May 1966, the Social Security Administration (SSA) delegated authority to the RRB to administer certain provisions of the Medicare program for Qualified Railroad Retirement Beneficiaries (QRRBs). These provisions included enrollment, premium collection, and selection

² Government Accountability Office (GAO), *Assessing the Reliability of Computer-Processed Data*, GAO-09-680G (Washington, D.C.: July 2009).

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 QRRBs that were receiving benefits from both RRB and SSA.³

As with Medicare, the Railroad Medicare program provides health insurance to persons ages 65 and older, as well as persons under 65 who have been entitled to monthly benefits based on total disability. In addition to basic Part A hospital insurance financed by payroll taxes, there is an elective supplementary Part B medical insurance that covers other non-hospital medical services, such as doctor visits, durable medical equipment, and outpatient services. Eligible railroad retirement annuitants and social security beneficiaries whose benefits are payable by the RRB are automatically enrolled under both plans but have the option to decline Medicare Part B. During fiscal year 2019, the RRB automatically enrolled about 24,900 Medicare beneficiaries. At the end of fiscal year 2019, approximately 465,500 QRRBs were enrolled in Medicare Part A, and approximately 446,300 (96 percent) of these QRRBs were also enrolled in Medicare Part B.

The Railroad Medicare program is managed by one nationwide Medicare contractor, Palmetto GBA, which processes the QRRB's Medicare Part B claims. RRB is responsible for administering its contract with Palmetto GBA. In fiscal year 2019, RRB withheld approximately \$723 million in premiums and Palmetto GBA processed approximately \$832 million in payments for services covered by Medicare Part B. During fiscal year 2019, CMS reimbursed RRB for approximately \$32 million for Part B Medicare costs.

Within the RRB, the Office of Programs (Programs) has 19 claims examiners working at RRB headquarters who receive training in Medicare enrollment, premium penalty determination, and calculation decisions. As part of the OIG's oversight responsibilities under the Inspector General Act of 1978, as amended, the OIG conducts audits and investigations of alleged fraud, waste, and abuse within the Railroad Medicare program.

Medicare Premiums Penalty Rate Study and Post Penalty Rate Study

This audit was performed in response to concerns with open OIG audit recommendations addressing prior Medicare premium penalty rate calculation weaknesses first reported during March 2009.⁴ Our audit testing and analysis focused on the results of Programs' study of Medicare premium penalty rates conducted from April 2009 through December 2012 and the calculations completed as part of the study. We also assessed the effectiveness of Programs' subsequent corrective actions and reviewed post study Medicare premium penalty rate and refund calculations.

Our audit report issued in March 2009 resulted in two recommendations for improvement of the Medicare premium control environment. In response to our recommendations, Programs

³ 42 U.S.C. § 1395s.; and Pub. L. No. 92-603, 86 STAT. Sec. 263 (1972).

⁴ RRB Office of Inspector General, *Fiscal Year 2008 Letter to Management*, Report No. 09-02, Recommendations No. 12 and No. 13 (Chicago, IL: March 2009).

conducted the multi-year penalty rate study and submitted audit closure requests in 2011, 2016, 2017, and 2018. However, upon review of the supporting documentation submitted with each closure request, we found that insufficient corrective actions had been taken. Due to the complex nature of Medicare premiums and their associated penalties, and the lengthening timeframe since our original audit recommendations were made, we determined that an indepth audit of Programs' penalty rate study and their current Medicare premiums process, was warranted.

Delayed Medicare enrollment results in a penalty of 10 percent for each year the beneficiary is without healthcare coverage and qualifies for Medicare. Evidence of Group Health Plan (GHP) coverage during current employment or a State Buy-In (SBI) can reduce the penalty if the beneficiary is made aware and provides an employer certification to the RRB. Medicare premium penalties can result in excessive financial burden to the beneficiary, further multiplied over time. Incorrect penalty calculations were not easily detected by the RRB and have resulted in significant refund liabilities.

RESULTS OF AUDIT

Our audit determined that Railroad Medicare Part B premiums and associated penalties were generally calculated accurately and that premium penalty refunds were issued timely. However, Medicare premium penalty and refund authorization controls were not effective. Our audit testing and analysis focused on the accuracy of Medicare premium penalty calculations and the timeliness and accuracy of premium refunds. We considered the effectiveness of Programs’ Medicare premium penalty rate study and whether it had improved over time. Our analysis identified scenarios where Programs did not always adhere to its existing procedures or where procedures could be improved for calculating and authorizing Medicare premium penalties and refunds.

The results of our Medicare premium, penalty, and refund calculation and authorization accuracy sampling and analysis are summarized in Table 1.

Table 1. Medicare Premium Penalty and Refund Testing Summary and Results

Timeframe	Sample Method	Tested	Errors	SOR ⁵	Questioned Costs ⁶	Appendix
Penalty Study - Refund	Statistical	54	2	4%	\$12,266	III
Penalty Study - No Refund	Statistical	55	1	2%	\$778	IV
Penalty Study ≥ 200%	Nongeneralizable	14	0	0%	\$0.00	VII
Post Study < 100%	Nongeneralizable	20	0	0%	\$0.00	VIII
Post Study ≥ 100%	Statistical	49	44	90%	\$14,675	II
Post Study - Refunds MPS	Nongeneralizable	9	6	67%	\$72,336	V
Post Study - Refunds MAMMA	Nongeneralizable	9	0	0%	\$0.00	VI

Note: Penalty study questioned costs are total questioned costs as of the study date and do not reflect monthly recurring post study questioned costs. Post study questioned costs reflect estimated monthly recurring questioned costs. The Monthly Adjustment of MIRTEL Master Adjusts (MAMMA) generates automated refunds and the Medicare Payment System (MPS) is used to generate manual refunds.

We made eight recommendations to address these weaknesses. The full text of management’s response to these recommendations is included in this report as Appendix I.

Medicare Coverage Errors Impacted Penalty Calculations

Our testing and analysis of Programs’ Medicare premiums penalty rate study and post study penalty transactions identified three penalty rate study errors and one post study calculation

⁵ Sample Occurrence Rate (SOR).

⁶ For the purpose of these reported findings, the Inspector General Act of 1978, Section 5 (e)(5)(f)(1)(B), states that, “the term “questioned cost” means a cost that is questioned by the Office because of— ... (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation....”

error. These procedural calculation errors resulted from failure to timely enroll the beneficiary or failure to apply evidence of GHP coverage. We identified the following penalty calculation errors in Table 2 and requested confirmation from the Medicare examiners.

Table 2. Medicare Premium Penalty Calculation Errors

Timeframe	Type of Error	Tested	Errors	SOR	Questioned Costs	Appendix
Penalty Study - Refund	Not Timely	230%	10%	July 1983	\$9,231	III
Penalty Study - Refund	GHP	0%	30%	July 2006	\$3,035	III
Penalty Study - No Refund	GHP	30%	80%	July 2016	\$778	IV
Post Study ≥ 100 %	GHP	130%	50%	July 2008	\$447	II

Note: Penalty study questioned costs are total questioned cost as of the penalty study date and do not reflect monthly recurring post study questioned costs. Post study questioned costs reflect estimated monthly questioned costs recurring since the Part B effective date.

We also identified two additional Medicare premium penalties where GHP coverage had the potential to reduce the penalty. While not required by current procedure, the examiner had not performed follow-up with the beneficiary to acquire and confirm evidence of the duration of the coverage.

GAO *Standards for Internal Control in the Federal Government* (GAO Standards) state that:

- Management compares actual performance to planned or expected results throughout the organization and analyzes significant differences.⁷

The RRB’s Medicare processing control techniques require that, “Claim folders, imaged documents, CMS records and the Master Benefit Record (MBR) are checked for periods excluded from the penalty rate.”

The RRB’s Medicare processing control techniques require that, “Procedures are current, accurate and reflect examiner processing.”

The RRB’s claims processing penalty rate guidance states that:

In the case of an individual who was enrolled by a state under a buy-in agreement, any months elapsing before the end of his or her last period of buy-in coverage are not counted for purposes of the premium increase. Premiums paid by states under a buy-in agreement are not subject to increase for late enrollment.

⁷ GAO *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.; September 2014).

...Months of GHP coverage are excluded from computation of the surcharge for late enrollment. The month will be excluded as a result of an SEP enrollment, GEP enrollment, or a current enrollment and the individual is paying a premium at the penalty rate. Proof of GHP would reduce the premium penalty.

...For premiums due for June 1986 and later, the following months are excluded...Months beginning with January 1983 (or the end of the IEP, if later) during which the individual can demonstrate that he or she was enrolled in a GHP based on his or her own or a spouse's current employment status...

Programs had established additional penalty authorization thresholds following its penalty rate study. Programs had also established claims examiner training and a worksheet for calculating Medicare premium penalties. However, use of the worksheet is not required, had not been adapted to consider all coverage decisions, and examiners generally use handwritten notes to calculate a penalty that are discarded rather than scanned and maintained on file as documented support. As such, fully effective Medicare premium policy and procedure had not been developed and adhered to by the examiners. Procedural inconsistencies with examiner handling and review of GHP also contributed to the penalty calculation errors. For example, we observed one instance where the GHP section of form G-44B, Application for Enrollment in Medicare Medical Insurance (Part B), indicating current employment health insurance coverage was not properly completed and one instance where the beneficiary failed to indicate on form AA-1, Application for Employee Annuity under the RRA, whether they wanted Medicare Part B and follow-up had not been performed or recorded by the examiner. Programs had also not established a standardized checklist to ensure that premium calculations are performed correctly and to ensure that follow-up is performed where needed employment or health plan coverage information had not been received. The beneficiary receives notification of their penalty on form RL-331, Notice of Change in Health Insurance Election and is instructed to contact the RRB if questions arise.

The Medicare premium penalty rate process is potentially prone to error as it is highly complex and manually intensive. According to RRB officials, given the limitations of time and resources, Medicare examiners effectively have only about 10 to 15 minutes to consider numerous Medicare coverage factors and to calculate and document an often highly complex Medicare premium penalty. Medicare examiners have encountered delays in obtaining supporting records and system support. Systems are sometimes slow to respond during processing and supporting data is not always accurate or maintained. While the calculation process has become more complex, there has been no improvement in automation. We did not identify a corrective action plan and efforts were not in place to minimize the penalty errors. Staff attrition is also impacting the calculation knowledge base and the record and experience of past penalty calculations is being lost.

If proper procedures and best practices are not established, Medicare premium and penalty calculation errors may occur. The duration of the undetected penalty error may impact premium restitution as the beneficiary might be deceased when the error is discovered, making collection of premiums due or a refund difficult or impossible.

Recommendations

We recommend that the Office of Programs strengthen its controls over the penalty calculation process and the accuracy of supporting data by:

1. designing, implementing, and maintaining a comprehensive Medicare premium penalty rate calculation worksheet addressing each enrollment and health plan coverage option, including disability enrollment, required for use in documenting the preparation and second review of penalty rates of 10 percent or greater;
2. establishing a procedure to capture and maintain claims examiner decisions and explanations, including relevant supporting documentation and screen prints with each penalty rate calculation worksheet to enable timely recollection and understanding of the penalty rate decision and calculation;
3. establishing a procedure to track and/or log the notification of penalty and other beneficiary communication, and record the follow-up efforts made when a response to agency requests for employment and/or health plan coverage verification have not been received or are in error;
4. reevaluating the claims examiner staffing resources needed for the current Medicare premium penalty workload;
5. evaluating the impact of planned system modernization efforts to determine if greater automation or other improvements can be made to the penalty rate calculation process; and
6. updating the RL-331, Notice of Change in Health Insurance Election to include a penalty calculation summary that explains how and why the penalty was calculated and includes the applicable calculation and decision elements, such as the dates of employment, GHP coverage period, SBI, Income Related Monthly Adjustment Amount, birthdate, retirement date, penalty period start and end dates, and the total monthly premium to enable the beneficiary to understand the reason for the penalty decision and how it was calculated, along with instruction on how to inquire when the beneficiary identifies a possible error.

Management's Comments and Our Response

The Office of Programs concurred with Recommendations 1, 2, 3, and 5.

For Recommendation 4, the Office of Program partially concurred with our recommendation and stated, "The Office of Programs regularly reviews staffing needs for the entire organization and not just for the Medicare unit. In fact, hiring plans are prepared on an annual basis for EC and Board approval. Many factors contribute to the decision making process and agency funding is one major consideration.

Specifically with regard to UPSD/MPSS/Medicare, we continuously look at work processes, examiner workloads, and expectations. Requests for additional staffing are made as needed. We will continue our practice of evaluating staffing needs in light of current and projected workloads and requests permission to hire as needed.” While the Office of Programs only partially concurred, they provided a reasonable basis for reevaluating the staffing resources needed. However, our finding and recommendation remain as written.

For Recommendation 6, the Office of Program partially concurred with our recommendation and stated, “The RRB currently provides the beneficiary the reason for the penalty. We will take action to modify the current notification to include the period(s) of months used to calculate the penalty percentage. We will not be including the beneficiary’s retirement date or IRMAA rate because it is not a factor in determining penalty rates. In addition, we will not be including historical information on SBI, EGHP coverage period, or birthdate on file as those factors are already considered by examiners in determining the period(s) of months used to calculate the penalty percentage. We anticipate the implementation of this recommendation by January 31, 2021.”

The beneficiary’s Medicare eligibility date, SBI, GHP coverage period, and birthdate are used in the determination of penalty rates and/or refunds. The beneficiary’s retirement date and IRMAA rate are factors in determining Medicare eligibility and the monthly premium amount. Notifying the beneficiary that this information is used in the determination of penalty rates and/or refunds increases transparency and conveys the need for accurate data. Our finding and recommendation remain as written.

Medicare Premium Penalties and Refunds Were Improperly Authorized

During our testing and analysis of Medicare premiums and refunds, we identified transactions that were improperly authorized or where authorization was not adequately documented in the RRB’s records. These transactions required evidence of authorization because the penalties exceeded 100 percent of the premium, or the refunds exceeded \$1,000 and required special authorization. An error was defined as a transaction where one or more authorization elements, including the Medicare Part B penalty worksheet, Universal STAR (USTAR), or form G-364M authorization record were missing, did not include evidence of appropriate second authorization, or the examiner’s or authorizer’s name, date, and signature were not recorded.⁸ We also found that penalties under 100 percent of the premium, and refunds under \$1,000 are not subject to review or second authorization.

USTAR authorization provides electronic tracking and is required for all Medicare penalties and refunds. USTAR does not provide the penalty calculation detail needed to validate the transaction. If adequately detailed, the penalty worksheet can provide the supporting calculation and documentation to enable review of the penalty calculation prior to

⁸ Form G-364 is used to authorize Medicare premium refunds. The penalty worksheet is used to document the penalty percentage calculation and total premium amount.

authorization. Form G-364M provides the supporting calculation and documentation to enable review of the penalty refund. If the penalty worksheet or G-364M is not properly documented and reviewed, USTAR authorization would be performed blindly negating control effectiveness. Both USTAR and the supporting penalty worksheet or G-364M are needed for proper authorization. We identified the following authorization errors and requested confirmation from the Medicare examiners.

Table 3. Medicare Premium Authorization Errors

Timeframe	Sample Method	Tested	Errors	SOR	Questioned Costs	Appendix
Penalty Study - Refund	Statistical	54	N/A	N/A	N/A	III
Penalty Study - No Refund	Statistical	55	N/A	N/A	N/A	IV
Post Study ≥100%	Statistical	49	44	90%	\$14,675	II
Penalty Study ≥ 200%	Nongeneralizable	9	0	0%	\$0.00	VII
Post Study - MPS Refunds	Nongeneralizable	9	6	67%	\$72,336	V
Post Study - MAMMA Refunds	Nongeneralizable	9	0	0%	\$0.00	VI
Post Study < 100%	Nongeneralizable	20	N/A	N/A	N/A	VIII

Note: Penalty study questioned costs are total questioned costs as of the penalty study date and do not reflect monthly recurring post study questioned costs. Post study questioned costs reflect estimated monthly questioned costs recurring since the Part B effective date. MAMMA generates automated refunds and MPS is used to generate manual refunds.

In addition, the RRB performs management control reviews of the Medicare assessable unit every five years that include the effectiveness of management authorizations of penalties exceeding 100 percent. Our analysis found that the reviewed transactions included authorization errors but these errors had not been reported in the results of the 2018 review. The 2012 review results had been purged and could not be reviewed.

GAO Standards state that

- ...Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud....
- Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination....
- Transactions are authorized and executed only by persons acting within the scope of their authority.

The RRB's Management Control Guide states that, "Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority" and management control reviews of Medicare assessable unit control techniques are to be performed "every 5 years."⁹

The RRB's Medicare processing control techniques require that, "All cases with a penalty rate over 100% are authorized."

The RRB's Medicare processing control techniques require that, "To assure quality and prevent theft of benefits, some work is reviewed (authorized) by another person.

Premium refunds of \$1,000 and over (second authorization if amount is more than \$5,000)."

RRB's Medicare processing procedures require form G-364M for refunds but do not require completion of the Medicare penalty rate worksheet.

The RRB's Medicare processing control techniques require that, "All initial and file-only Medicare items, including premium refund awards, are imaged."

Programs has not implemented effective controls for authorizing all Medicare penalties and refunds and ensuring secondary review of the elements supporting authorization and their proper recordkeeping. Without proper review and authorization, the accuracy of Medicare premium and refund transactions cannot be ensured. Further, when a beneficiary calls in or requests a change, the examiner may need to recalculate the penalty requiring additional time and resources.

Recommendations

We recommend that the Office of Programs strengthen its policy and procedure and controls over the Medicare premium penalty and refund authorization process by:

7. establishing a penalty and refund review process to include both the standard form worksheet and USTAR tracking. The worksheet and supporting calculation and documentation should be reviewed, authorized, and dated by a second claims examiner and/or supervisor (if over 100 percent) on the worksheet, and tracked within USTAR. The review authorization should attest to the accuracy and completeness of the penalty or refund calculation, electronic filing of supporting documents, and beneficiary notification and confirmation; and
8. strengthening the management control review process over Medicare premium penalty and refund authorizations by determining the reasons for the undetected errors identified during the audit and modifying the review process as needed to improve the detection and reporting of similar future errors.

⁹ RRB, *Management Control Guide* (Chicago, IL: February 2015).

Management's Comments and Our Response

The Office of Programs concurred with Recommendation 7.

For Recommendation 8, the Office of Program partially concurred with our recommendation and stated, "Beginning in the FY 2021 Medicare certification, the Office of Programs will include information to address the actions taken to review and validate penalty rate review actions. In addition, the Medicare examiner quality review will include Medicare premium penalties and refunds. We anticipate the implementation of this recommendation by the end of September 2021." While the Office of Programs only partially concurred with our recommendation, their planned actions are directed toward addressing the recommendation. However, our finding and recommendation remain as written.

APPENDIX I: MANAGEMENT COMMENTS



UNITED STATES GOVERNMENT

MEMORANDUM

FORM G-1151 (1-92)

RAILROAD RETIREMENT BOARD

May 22, 2020

TO: Debra Wheat
Deputy Assistant Inspector General for Audits

FROM: Crystal Coleman CRYSTAL
Director of Programs COLEMAN

SUBJECT: **Draft** – Audit of Controls over Railroad Medicare Premium Accuracy

Digitally signed by CRYSTAL
COLEMAN
Date: 2020.05.22 14:17:11
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Recommendation 1

We recommend that the Office of Programs strengthen its controls over the penalty calculation process and the accuracy of supporting data by designing, implementing, and maintaining a comprehensive Medicare premium penalty rate calculation worksheet addressing each enrollment and health plan coverage option, including disability enrollment, for use by headquarters and field office staff to document the preparation and review of penalty rates of 10 percent or greater.

Response

Concur. The Office of Programs will work to formalize the current calculation worksheet that is being used by the Medicare examiners. Modifications will be made to the current worksheet to include more relevant data to assist with review actions including but not limited to having space on the calculation worksheet to indicate what sources were used to determine the penalty rate. We will image the formalized calculation sheet and develop procedures to document this process. However, we will not create, design or implement a new calculation worksheet at this time. In addition, we will not be imaging supporting documentation and screen prints. We anticipate the implementation of this recommendation by January 31, 2021.

Recommendation 2

We recommend that the Office of Programs strengthen its controls over the penalty calculation process and the accuracy of supporting data by establishing a procedure to capture and maintain claims examiner decisions and explanations including relevant supporting documentation and screen prints with each penalty rate calculation worksheet to enable timely recollection and understanding of the penalty rate decision and calculation.

Response

Concur. The Office of Programs will formalize the calculation worksheet currently used by the Medicare examiners. Modifications will be made to the worksheet to include more relevant data to assist with review actions including but not limited to providing space on the calculation worksheet to indicate what sources were used to determine the penalty rate. We will image the formalized calculation sheet and develop procedures to document this process. However, we will not create, design or implement a new calculation worksheet at this time. In addition, we will not be imaging supporting documentation and screen prints. We anticipate the implementation of this recommendation by January 31, 2021.

Recommendation 3

We recommend that the Office of Programs strengthen its controls over the penalty calculation process and the accuracy of supporting data by establishing a procedure to track and/or log the notification of penalty and other beneficiary communication, and record the follow-up efforts made when a response to agency requests for employment and/or health plan coverage verification have not been received or are in error, where the penalty exceeds the established threshold.

Response

Concur. The Office of Programs will establish procedures indicating that all beneficiaries will receive notification of their penalty rate during their GEP enrollment and the imaging system will be the repository for this notification and any subsequent actions that are taken. A second notice will be sent to beneficiaries with penalty rates over 100%. We anticipate the implementation of this recommendation by January 31, 2021.

Recommendation 4

We recommend that the Office of Programs strengthen its controls over the penalty calculation process and the accuracy of supporting data by reevaluating the claims examiner staffing resources needed for the current Medicare premium penalty workload.

Response

Partial concur. The Office of Programs regularly reviews staffing needs for the entire organization and not just for the Medicare unit. In fact, hiring plans are prepared on an annual basis for EC and Board approval. Many factors contribute to the decision making process and agency funding is one major consideration.

Specifically with regard to UPSD/MPSS/Medicare, we continuously look at work processes, examiner workloads, and expectations. Requests for additional staffing are made as needed. We will continue our practice of evaluating staffing needs in light of current and projected workloads and requests permission to hire as needed.

Recommendation 5

We recommend that the Office of Programs strengthen its controls over the penalty calculation process and the accuracy of supporting data by evaluating the impact of planned system modernization efforts to determine if greater automation or other improvements can be made to the penalty rate calculation process.

Response

Concur. The Office of Programs is aware of the benefits of enhanced system capabilities in improving the penalty rate calculation process. We will continue to work with BIS to review the current processes across all benefits paying areas with an eye towards adding systems modifications that will automate the calculation processes. As opportunities present themselves, in conjunction with IT funding and staffing availability, we will submit our proposed modifications to BIS for consideration and/or implementation.

Recommendation 6

We recommend that the Office of Programs strengthen its controls over the penalty calculation process and the accuracy of supporting data by updating the RL-331, Notice of Change in Health Insurance Election to include a penalty calculation summary that explains how and why the penalty rate was calculated and includes the applicable calculation decision elements, such as the dates of employment, GHP coverage period, SBI Income Related Monthly Adjustment Amount, birthdate, retirement date, penalty period start and end dates, and the total monthly premium to enable the beneficiary to understand the reason for the penalty decision and how it was calculated, along with instruction on how to inquire when the beneficiary identifies a possible error.

Response

Partial concur. The RRB currently provides the beneficiary the reason for the penalty. We will take action to modify the current notification to include the period(s) of months used to calculate the penalty percentage. We will not be including the beneficiary's retirement date or IRMAA rate because it is not a factor in determining penalty rates. In addition, we will not be including historical information on SBI, EGHP coverage period, or birthdate on file as those factors are already considered by examiners in determining the period(s) of months used to calculate the penalty percentage. We anticipate the implementation of this recommendation by January 31, 2021.

Recommendation 7

We recommend that the Office of Programs strengthen its controls over the penalty calculation process and the accuracy of supporting data by establishing a penalty and refund review process to include both the standard form worksheet and USTAR tracking. The worksheet and supporting calculation and documentation should be reviewed, authorized, and dated by a second claims examiner and/or supervisor (if over 100 percent) on the worksheet, and tracked within USTAR. The review authorization should attest to the accuracy and completeness of the penalty or refund calculation, electronic filing of supporting documents, and beneficiary notification and confirmation.

Response

Concur. The Office of Programs will formalize the calculation worksheet currently used by the Medicare examiners. Modifications will include the addition of more relevant data to assist with review actions. Procedure will be updated to require that the calculation worksheet be used in all cases and that the calculation worksheet be imaged. We will not create, design or implement any new calculation worksheet at this time. We anticipate the implementation of this recommendation by January 31, 2021.

Recommendation 8

We recommend that the Office of Programs strengthen its controls over the penalty calculation process and the accuracy of supporting data by strengthening the management control review process over Medicare premium penalty and refund authorizations by determining the reasons for the undetected errors identified during the audit and modifying the review process as needed to improve the detection and reporting of similar future errors.

Response

Partial concur. Beginning in the FY 2021 Medicare certification, the Office of Programs will include information to address the actions taken to review and validate penalty rate review actions. In addition, the Medicare examiner quality review will include Medicare premium penalties and refunds. We anticipate the implementation of this recommendation by the end of September 2021.

APPENDIX II: STATISTICAL SAMPLE METHODOLOGY AND RESULTS POST PENALTY RATE STUDY TRANSACTIONS IN THE MOLI DATABASE

This appendix presents the methodology and results for the sample conducted of Railroad Medicare Part B penalties and associated premium cases in the Medicare Information Recorded, Transmitted, Edited and Logged (MIRTEL) On-Line Inquiry (MOLI) database.

Sampling Objective

Our sampling objectives were to (1) verify the accuracy and completeness of Medicare Part B penalties and associated premium cases, (2) assess compliance with laws, regulations, and guidance, and (3) assess compliance with internal policies and procedures.

Scope

Our sample was selected from Medicare Part B penalties and associated premium cases in the MOLI database as of April 24, 2019.

Universe/Sampling Unit

The sampling universe consisted of 147 Medicare Part B beneficiaries with penalties of 100 percent and greater and associated premium cases in the MOLI database as of April 24, 2019. The sampling unit was one Medicare Part B penalty and associated premium case.

Sample Selection Methodology

We used Two Step Attribute Acceptance Sampling using a confidence level of 90 percent and a critical error rate of 10.2 percent, which directed a sample size of 26 cases of Medicare Part B penalties and associated premiums for the first step, and 23 cases of Medicare Part B penalties and associated premiums for the second step (for a total of 49 records if the first step failed). If one or more errors were discovered as a result of tests for the first step, second step testing would be required. The threshold for acceptance after second step testing was two errors. Therefore, if zero errors existed in our first step or if after the second step, two or fewer errors were identified, we would infer with 90 percent confidence that the Medicare Part B penalties and associated premiums have been accurately calculated and reported as documented by RRB, and are in compliance with applicable requirements and standards.

Sample Evaluation Methodology

For each transaction, we obtained and reviewed evidence from various agency mainframe systems including WorkDesk and Universal System Tracking and Reporting in order to accomplish our sampling objectives.

Results of Review

Our reviews resulted in the following errors, as identified by attribute.

Sample Results - Post Study (100 Percent or Greater)

Attribute Tests	Number of Records Tested	Errors
Penalty case was found in MOLI, and penalty calculation was for the right beneficiary.	49	0
Beneficiary did accept Part B.	49	0
Penalty calculation was mathematically correct.	49	1*
Penalty assessment did consider GHP present in folder	49	0
GHP form was valid or acceptable.	49	0
Correct enrollment period was used during calculation.	49	0
IRMAA was applied during premium calculation.	49	0
Variable rate was applied to qualified beneficiary.	49	0
Cases with penalty rate over 100% were manually calculated and authorized.	49	3*
Penalty refund to beneficiary was accurate.	49	0
Penalty refund was issued to the right beneficiary.	49	0
Penalty refund was confirmed received by beneficiary.	49	0
Penalty refund timely.	49	0
There were no duplicate refund on the beneficiary account.	49	0
There were no duplicate deduction from the beneficiary account.	49	0
Refund of \$1,000 or greater, was authorized & authorizer was appropriate.	49	0
Refund of \$5,000 or greater, was authorized & 2nd authorizer was appropriate.	49	0
RRB, SSA or State (for SBI) did not collect premiums for the same month.	49	0
Premium refund awards was entered on the imaging system.	49	0
Transaction was supported by documentation.	49	44*
Transaction was accurate based on documentation.	49	0
Total Number of Errors		48

*Multiple errors occurred for the tested records and the total number of transactions with errors is 44.

Auditor's Conclusion

Our evaluation of the statistically valid sample of 49 Medicare Part B premium data identified 1 penalty calculation error, 3 over 100 percent penalty authorization errors, and 44 supporting documentation errors. As a result, we conclude that the RRB may not be calculating and authorizing monthly Medicare Part B premiums with associated penalties accurately and are not in compliance with applicable standards. Since the total errors in the sample is more than the threshold of 2 errors, this sampling universe is rejected.

APPENDIX III: STATISTICAL SAMPLE METHODOLOGY AND RESULTS

PENALTY RATE STUDY TRANSACTIONS IN THE MOLI DATABASE

This appendix presents the methodology and results for the sample of Railroad Medicare Part B penalties and associated premium cases that were used in the penalty rate study, conducted by RRB.

Sampling Objective

Our sampling objectives were to (1) verify the accuracy and completeness of Medicare Part B penalties and associated refund cases during penalty rate study, (2) assess compliance with laws, regulations, and guidance, and (3) assess compliance with internal policies and procedures.

Scope

Our sample was selected from Medicare Part B penalties and associated premium refund cases reviewed during the RRB's penalty rate study from April 2009 to December 2012.

Universe/Sampling Unit

The sampling universe consisted of 912 Medicare Part B beneficiary penalties and associated premium cases with refunds reviewed during the penalty rate study. The sampling unit was one Medicare Part B penalty and associated premium case.

Sample Selection Methodology

We used Two Step Attribute Acceptance Sampling using a confidence level of 90 percent and a critical error rate of 10 percent, which directed a sample size of 29 cases of Medicare Part B penalties and associated premium for the first step, and 25 cases of Medicare Part B penalties and associated premium for the second step (for a total of 54 records if the first step failed). If one or more errors were discovered as a result of tests for the first step, second step testing would be required. The threshold for acceptance after second step testing was two errors. Therefore, if zero errors existed in our first step or if after the second step, two or fewer errors were identified, we would infer with 90 percent confidence that the Medicare Part B penalties and associated premium have been accurately calculated and reported as documented by RRB, and are in compliance with applicable requirements and standards.

Sample Evaluation Methodology

For each transaction, we obtained and reviewed evidence from various agency mainframe systems including WorkDesk, and Universal System Tracking and Reporting in order to accomplish our sampling objectives.

Results of Review

Our reviews resulted in the following errors, as identified by attribute.

Sample Results - Penalty Rate Study (Refunds)

Attribute Tests	Number of Records Tested	Errors
Penalty case was found in MOLI, and penalty calculation was for the right beneficiary.	54	0
Beneficiary did accept Part B.	54	0
Penalty calculation was mathematically correct.	54	2
Penalty assessment did consider GHP present in folder	54	0
GHP form was valid or acceptable.	54	0
Correct enrollment period was used during calculation.	54	0
IRMAA was applied during premium calculation.	54	0
Variable rate was applied to qualified beneficiary.	54	0
Cases with penalty rate over 100% were manually calculated and authorized.	54	0
Penalty refund to beneficiary was accurate.	54	0
Penalty refund was issued to the right beneficiary.	54	0
Penalty refund was confirmed received by beneficiary.	54	0
Penalty refund timely.	54	0
There were no duplicate refund on the beneficiary account.	54	0
There were no duplicate deduction from the beneficiary account.	54	0
Refund of \$1,000 or greater, was authorized & authorizer was appropriate.	54	0
Refund of \$5,000 or greater, was authorized & 2nd authorizer was appropriate.	54	0
RRB, SSA or State (for SBI) did not collect premiums for the same month.	54	0
Premium refund awards was entered on the imaging system.	54	0
Transaction was supported by documentation.	54	0
Transaction was accurate based on documentation.	54	0
Total Number of Errors		2

Auditor's Conclusion

Our evaluation of the statistically valid sample of 54 Medicare Part B premium data identified 2 penalty calculation errors. As a result, we conclude that the RRB generally calculated monthly Medicare Part B premiums with associated penalties accurately.

APPENDIX IV: STATISTICAL SAMPLE METHODOLOGY AND RESULTS

PENALTY RATE STUDY TRANSACTIONS IN THE MOLI DATABASE

This appendix presents the methodology and results for the sample of Railroad Medicare Part B penalties and associated premium cases that were used in the penalty rate study, conducted by RRB.

Sampling Objective

Our sampling objectives were to (1) verify the accuracy and completeness of Medicare Part B penalties and associated refund cases during penalty rate study, (2) assess compliance with laws, regulations, and guidance, and (3) assess compliance with internal policies and procedures.

Scope

Our sample was selected from Medicare Part B penalties and associated premium refund cases reviewed during the RRB's penalty rate study from April 2009 to December 2012.

Universe/Sampling Unit

The sampling universe consisted of 3,073 Medicare Part B penalties and associated premium cases with no refunds reviewed during the penalty rate study. The sampling unit was one Medicare Part B penalty and associated premium case.

Sample Selection Methodology

We used Two Step Attribute Acceptance Sampling using a confidence level of 90 percent and a critical error rate of 10 percent, which directed a sample size of 29 cases of Medicare Part B penalties and associated premiums for the first step, and 26 cases of Medicare Part B penalties and associated premiums for the second step (for a total of 55 records if the first step failed). If one or more errors were discovered as a result of tests for the first step, second step testing would be required. The threshold for acceptance after second step testing was two errors. Therefore, if zero errors existed in our first step or if after the second step, two or fewer errors were identified, we would infer with 90 percent confidence that the Medicare Part B penalties and associated premiums have been accurately calculated and reported as documented by RRB, and are in compliance with applicable requirements and standards.

Sample Evaluation Methodology

For each transaction, we obtained and reviewed evidence from various agency mainframe systems including WorkDesk and Universal System Tracking and Reporting in order to accomplish our sampling objectives.

Results of Review

Our reviews resulted in the following errors, as identified by attribute.

Sample Results - Penalty Rate Study (No Refunds)

Attribute Tests	Number of Records Tested	Errors
Penalty case was found in MOLI, and penalty calculation was for the right beneficiary.	55	0
Beneficiary did accept Part B.	55	0
Penalty calculation was mathematically correct.	55	1
Penalty assessment did consider GHP present in folder	55	0
GHP form was valid or acceptable.	55	0
Correct enrollment period was used during calculation.	55	0
IRMAA was applied during premium calculation.	55	0
Variable rate was applied to qualified beneficiary.	55	0
Cases with penalty rate over 100% were manually calculated and authorized.	55	0
Penalty refund to beneficiary was accurate.	55	0
Penalty refund was issued to the right beneficiary.	55	0
Penalty refund was confirmed received by beneficiary.	55	0
Penalty refund timely.	55	0
There were no duplicate refund on the beneficiary account.	55	0
There were no duplicate deduction from the beneficiary account.	55	0
Refund of \$1,000 or greater, was authorized & authorizer was appropriate.	55	0
Refund of \$5,000 or greater, was authorized & 2nd authorizer was appropriate.	55	0
RRB, SSA or State (for SBI) did not collect premiums for the same month.	55	0
Premium refund awards was entered on the imaging system.	55	0
Transaction was supported by documentation.	55	0
Transaction was accurate based on documentation.	55	0
Total Number of Errors		1

Auditor's Conclusion

Our evaluation of the statistically valid sample of 55 Medicare Part B premium data identified 1 penalty calculation error. As a result, we conclude that the RRB generally calculated monthly Medicare Part B premiums with associated penalties accurately.

APPENDIX V: NONGENERALIZABLE SAMPLE METHODOLOGY AND RESULTS POST PENALTY RATE STUDY TRANSACTIONS IN THE MPS DATABASE

This appendix presents the methodology and results for the sample of Railroad Medicare Part B penalties and associated premium and refund cases in the Medicare Payment System (MPS) database.

Sampling Objective

Our sampling objectives were to (1) verify the accuracy and completeness of Medicare Part B penalties and associated refund cases occurring after the penalty rate study concluded in 2012, (2) assess compliance with laws, regulations, and guidance, and (3) assess compliance with internal policies and procedures.

Scope

Our sample was selected from Medicare Part B penalties and associated premium refund cases in the MPS database for years 2017, 2018, and 2019.

Universe/Sampling Unit

The sampling universe consisted of 8,405 Medicare Part B penalties and associated premium cases with refunds occurring after the RRB's penalty rate study. The sampling unit was one Medicare Part B penalty and associated premium refund case.

Sample Selection Methodology

We used nongeneralizable sampling to test compliance for refund controls and integrity of procedures. Therefore, the results of the sample are not intended to be used for sample acceptance, rejection, or projection. Our testing examined for each year, paid voucher refunds for three beneficiaries with a Supplemental Medical Insurance for the Aged fund code and the highest dollar refund amount for years 2017, 2018, and 2019. We selected three beneficiaries each year and reviewed a total of nine cases for the three years.

Sample Evaluation Methodology

For each transaction, we obtained and reviewed evidence from various agency mainframe systems including WorkDesk, MPS, and Universal System Tracking and Reporting in order to accomplish our sampling objectives.

Results of Review

Our reviews resulted in the following errors, as identified by attribute.

Sample Results - Post Study MPS Premium Refunds

Attribute Tests	Number of Records Tested	Errors
Penalty case was found in MOLI, and penalty calculation was for the right beneficiary.	9	0
Beneficiary did accept Part B.	9	0
Penalty calculation was mathematically correct.	9	0
Penalty assessment did consider GHP present in folder	9	0
GHP form was valid or acceptable.	9	0
Correct enrollment period was used during calculation.	9	0
IRMAA was applied during premium calculation.	9	0
Variable rate was applied to qualified beneficiary.	9	0
Cases with penalty rate over 100% were manually calculated and authorized.	9	0
Penalty refund to beneficiary was accurate.	9	0
Penalty refund was issued to the right beneficiary.	9	0
Penalty refund was confirmed received by beneficiary.	9	0
Penalty refund timely.	9	0
There were no duplicate refund on the beneficiary account.	9	0
There were no duplicate deduction from the beneficiary account.	9	0
Refund of \$1,000 or greater, was authorized & authorizer was appropriate.	9	0
Refund of \$5,000 or greater, was authorized & 2nd authorizer was appropriate.	9	6
RRB, SSA or State (for SBI) did not collect premiums for the same month.	9	0
Premium refund awards was entered on the imaging system.	9	0
Transaction was supported by documentation.	9	0
Transaction was accurate based on documentation.	9	1
Total Number of Errors		7

Auditor's Conclusion

Our evaluation of the nongeneralizable sample of nine Medicare Part B MPS premium refund transactions identified six over \$5,000 authorization errors and one inaccurate documentation error. As a result, we conclude that the RRB's MPS premium refund controls and procedures could be improved. However, the nongeneralizable sample results are not intended for sample projection.

APPENDIX VI: NONGENERALIZABLE SAMPLE METHODOLOGY AND RESULTS POST PENALTY RATE STUDY TRANSACTIONS IN MAMMA DATABASE

This appendix presents the methodology and results for the sample of Railroad Medicare Part B penalties and associated premium and refund cases in the Monthly Adjustment of MIRTEL Master (MAMMA) database.

Sampling Objective

Our sampling objectives were to (1) verify the accuracy and completeness of Medicare Part B penalties and associated refund cases occurring after the RRB's penalty rate study concluded in 2012, (2) assess compliance with laws, regulations, and guidance, and (3) assess compliance with internal policies and procedures.

Scope

Our sample was selected from Medicare Part B penalties and associated premium refund cases in the MAMMA database for years 2017, 2018, and 2019.

Universe/Sampling Unit

The sampling universe consisted of 522 Medicare Part B penalties and associated premium cases with no refunds occurring after the RRB's penalty rate study. The sampling unit was one Medicare Part B penalty and associated premium case.

Sample Selection Methodology

We used nongeneralizable sampling to test compliance for refund controls and integrity of procedures. Therefore, the results of the sample are not intended to be used for sample acceptance, rejection, or projection. Our testing examined paid voucher refunds for three beneficiaries with the highest dollar refund amount for March/May 2017, March/April 2018, and 2019. We selected three beneficiaries each year and reviewed a total of nine cases for the three years.

Sample Evaluation Methodology

For each transaction, we obtained and reviewed evidence from various agency mainframe systems including WorkDesk, MAMMA, and Universal System Tracking and Reporting in order to accomplish our sampling objectives.

Results of Review

Our reviews resulted in the following errors, as identified by attribute.

Sample Results - Post Study MAMMA Premium Refunds

Attribute Tests	Number of Records Tested	Errors
Penalty case was found in MOLI, and penalty calculation was for the right beneficiary.	9	0
Beneficiary did accept Part B.	9	0
Penalty calculation was mathematically correct.	9	0
Penalty assessment did consider GHP present in folder	9	0
GHP form was valid or acceptable.	9	0
Correct enrollment period was used during calculation.	9	0
IRMAA was applied during premium calculation.	9	0
Variable rate was applied to qualified beneficiary.	9	0
Cases with penalty rate over 100% were manually calculated and authorized.	9	0
Penalty refund to beneficiary was accurate.	9	0
Penalty refund was issued to the right beneficiary.	9	0
Penalty refund was confirmed received by beneficiary.	9	0
Penalty refund timely.	9	0
There were no duplicate refund on the beneficiary account.	9	0
There were no duplicate deduction from the beneficiary account.	9	0
Refund of \$1,000 or greater, was authorized & authorizer was appropriate.	9	0
Refund of \$5,000 or greater, was authorized & 2nd authorizer was appropriate.	9	0
RRB, SSA or State (for SBI) did not collect premiums for the same month.	9	0
Premium refund awards was entered on the imaging system.	9	0
Transaction was supported by documentation.	9	0
Transaction was accurate based on documentation.	9	0
Total Number of Errors		0

Auditor's Conclusion

Our evaluation of the nongeneralizable sample of nine Medicare Part B MAMMA premium refunds did not identify any errors. As a result, we conclude that the RRB processed the MAMMA premium refunds properly. However, the nongeneralizable sample results are not intended for sample projection.

APPENDIX VII: NONGENERALIZABLE SAMPLE METHODOLOGY AND RESULTS PENALTY RATE STUDY TRANSACTIONS IN THE MOLI DATABASE

This appendix presents the methodology and results for the sample of Railroad Medicare Part B penalties and associated premium and refund cases that were used in the penalty rate study, conducted by RRB.

Sampling Objective

Our sampling objectives were to (1) verify the accuracy and completeness of Medicare Part B penalties and associated refund cases included in the RRB's penalty rate study that concluded in 2012, (2) assess compliance with laws, regulations, and guidance, and (3) assess compliance with internal policies and procedures.

Scope

Our sample was selected from 200 percent and greater Medicare Part B penalties and associated premium cases that were recalculated during the RRB's penalty rate study from April 2009 to December 2012.

Universe/Sampling Unit

The sampling universe consisted of 18 Medicare Part B penalties and associated premium cases with penalties of 200 percent or greater reviewed by the RRB during the penalty rate study. The sampling unit was one Medicare Part B penalty and associated premium case.

Sample Selection Methodology

We used nongeneralizable sampling to test compliance for refund controls and integrity of procedures. Therefore, the results of the sample are not intended to be used for sample acceptance, rejection, or projection. Our testing examined seven cases by recalculating the penalty for three beneficiaries where the study reported a reduction in the penalty percentage but not in the premium amount, and by recalculating the penalty for four beneficiaries with the most line items in the penalty determination. We also reviewed all nine paid voucher refunds to confirm that the refunds were accurate and were received by the correct beneficiary. The cases reviewed totaled 14, because 2 cases overlapped.

Sample Evaluation Methodology

For each transaction, we obtained and reviewed evidence from various agency mainframe systems including WorkDesk, and Universal System Tracking and Reporting in order to accomplish our sampling objectives.

Results of Review

Our reviews resulted in the following errors, as identified by attribute.

Sample Results - Penalty Rate Study 200 Percent or Greater

Attribute Tests	Number of Records Tested	Errors
Penalty case was found in MOLI, and penalty calculation was for the right beneficiary.	14	0
Beneficiary did accept Part B.	14	0
Penalty calculation was mathematically correct.	14	0
Penalty assessment did consider GHP present in folder	14	0
GHP form was valid or acceptable.	14	0
Correct enrollment period was used during calculation.	14	0
IRMAA was applied during premium calculation.	14	0
Variable rate was applied to qualified beneficiary.	14	0
Cases with penalty rate over 100% were manually calculated and authorized.	14	0
Penalty refund to beneficiary was accurate.	14	0
Penalty refund was issued to the right beneficiary.	14	0
Penalty refund was confirmed received by beneficiary.	14	0
Penalty refund timely.	14	0
There were no duplicate refund on the beneficiary account.	14	0
There were no duplicate deduction from the beneficiary account.	14	0
Refund of \$1,000 or greater, was authorized & authorizer was appropriate.	14	0
Refund of \$5,000 or greater, was authorized & 2nd authorizer was appropriate.	14	0
RRB, SSA or State (for SBI) did not collect premiums for the same month.	14	0
Premium refund awards was entered on the imaging system.	14	0
Transaction was supported by documentation.	14	0
Transaction was not accurate based on documentation.	14	0
Total Number of Errors		0

Auditor's Conclusion

Our evaluation of the nongeneralizable sample of 14 Medicare Part B premium cases with penalties of 200 percent or greater identified no errors. As a result, we conclude that the RRB processed the penalty determinations and refunds properly. However, the nongeneralizable sample results are not intended for sample projection.

APPENDIX VIII: NONGENERALIZABLE SAMPLE METHODOLOGY AND RESULTS POST PENALTY RATE STUDY TRANSACTIONS IN MOLI AND DATA-Q DATABASE

This appendix presents the methodology and results for the sample of Railroad Medicare Part B penalties and associated premium cases in the Medicare Information Recorded, Transmitted, Edited and Logged (MIRTEL) On-Line Inquiry (MOLI) and Data Query (DATA-Q) databases.

Sampling Objective

Our sampling objectives were to (1) verify the accuracy and completeness of Medicare Part B premium penalties and associated premium refund cases occurring after the RRB's penalty rate study concluded in 2012, and (2) assess compliance with laws, regulations, and guidance, and (3) assess compliance with internal policies and procedures.

Scope

Our sample was selected from Medicare Part B penalties and associated premium cases in MOLI and Data-Q data pulled from production on November 15, 2019.

Universe/Sampling Unit

The sampling universe consisted of combined MOLI and DATA-Q data for 3,450 beneficiaries with a Medicare Part B penalty in either the Current, Prior 1, Prior 2 or Prior 3 MOLI history segments.

Sample Selection Methodology

We used nongeneralizable sampling to test compliance for penalty determination controls and integrity of procedures. Therefore, the result of the sample is not intended to be used for sample acceptance, rejection, or projection. Our testing examined ten aged and ten disabled beneficiaries with a penalty rate of 100 percent or lower and with the greatest variation from our initial calculation. We selected and reviewed a total of 20 premium cases.

Sample Evaluation Methodology

For each transaction, we obtained and reviewed evidence from various agency mainframe systems and WorkDesk, MOLI, and DATA-Q in order to accomplish our sampling objectives.

Results of Review

Our reviews resulted in the following errors, as identified by attribute.

Sample Results - Post Study Penalties of 100 Percent or Lower

Attribute Tests	Number of Records Tested	Errors
Penalty case was found in MOLI, and penalty calculation was for the right beneficiary.	20	0
Beneficiary did accept Part B.	20	0
Penalty calculation was mathematically correct.	20	0
Penalty assessment did consider GHP present in folder	20	0
GHP form was valid or acceptable.	20	0
Correct enrollment period was used during calculation.	20	0
IRMAA was applied during premium calculation.	20	0
Variable rate was applied to qualified beneficiary.	20	0
Cases with penalty rate over 100% were manually calculated and authorized.	20	0
Penalty refund to beneficiary was accurate.	20	0
Penalty refund was issued to the right beneficiary.	20	0
Penalty refund was confirmed received by beneficiary.	20	0
Penalty refund timely.	20	0
There were no duplicate refund on the beneficiary account.	20	0
There were no duplicate deduction from the beneficiary account.	20	0
Refund of \$1,000 or greater, was authorized & authorizer was appropriate.	20	0
Refund of \$5,000 or greater, was authorized & 2nd authorizer was appropriate.	20	0
RRB, SSA or State (for SBI) did not collect premiums for the same month.	20	0
Premium refund awards was entered on the imaging system.	20	0
Transaction was supported by documentation.	20	0
Transaction was accurate based on documentation.	20	0
Total Number of Errors		0

Auditor's Conclusion

Our evaluation of the nongeneralizable sample of 20 Medicare Part B premium cases with a penalty of 100 percent or lower, did not identify any premium calculation and or refund errors. As a result, we conclude that the RRB processed the penalty determinations and calculations properly. However, the nongeneralizable sample results are not intended for sample projection.