

Evaluation Report

Accuracy of the Social Security
Administration's Manual Billing
Process to Collect Medicare
Premiums

A-07-16-50135 / September 2016



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: September 23, 2016 **Refer To:**

To: The Commissioner

From: Acting Inspector General

Subject: Accuracy of the Social Security Administration's Manual Billing Process to Collect Medicare Premiums (A-07-16-50135)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration correctly completed manual actions to bill for Medicare premiums owed by beneficiaries whose monthly Social Security benefit was less than the monthly Medicare premium.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, at 410-965-9700.

Gale Stallworth Stone

Attachment

Accuracy of the Social Security Administration's Manual Billing Process to Collect Medicare Premiums

A-07-16-50135



September 2016

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) correctly completed manual actions to bill for Medicare premiums owed by beneficiaries whose monthly Social Security benefit was less than the monthly Medicare premium.

Background

When an individual entitled to Medicare Part B receives a monthly Social Security benefit, SSA deducts the monthly Medicare premium from the benefit. However, some individuals' monthly Social Security benefit is lower than the monthly Medicare premium. SSA must bill these individuals for the remaining amount of the Medicare premium.

We obtained a list of all beneficiaries who had an alert indicating Social Security benefits were lower than the monthly Medicare premium for Calendar Year 2015. From the population of 68,941 beneficiaries, we randomly selected 250 for detailed analysis to determine whether SSA's actions were correct.

Findings

SSA incorrectly calculated the Medicare premium owed for 120 (48 percent) of the beneficiaries we reviewed. Based on these results, we project 33,092 beneficiaries paid incorrect amounts, totaling almost \$21.9 million, for Medicare premiums.

Additionally, 23 (9.2 percent) of the beneficiaries we reviewed paid a different Medicare premium than SSA correctly calculated. Therefore, we project 6,343 beneficiaries paid incorrect amounts totaling almost \$3.4 million for Medicare premiums.

Recommendations

We made 3 recommendations including that SSA review the 143 cases we identified with calculation or payment errors and take necessary corrective actions.

SSA agreed with our recommendations.

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ABBREVIATIONS

BRI	Benefit Rate Increase
C.F.R.	Code of Federal Regulations
FY	Fiscal Year
OIG	Office of the Inspector General
PSC	Program Service Center
SSA	Social Security Administration

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) correctly completed manual actions to bill for Medicare premiums owed by beneficiaries whose monthly Social Security benefit was less than the monthly Medicare premium.

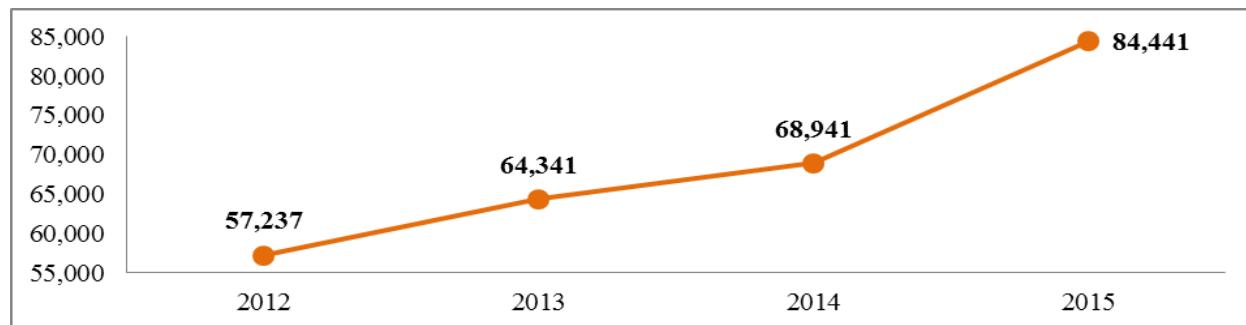
BACKGROUND

When an individual entitled to Medicare Part B receives a monthly Social Security benefit, SSA deducts the monthly Medicare premium from the benefit.¹ However, some individuals' monthly Social Security benefit is lower than the monthly Medicare premium. SSA must bill these individuals for the remaining amount of the Medicare premium.

Each year, SSA adjusts the Social Security benefit to account for increases in the Consumer Price Index. This Cost-of-Living-Adjustment is effective for benefits due in December.² During SSA's Benefit Rate Increase (BRI) operation each November, SSA generates an alert for individuals whose Social Security benefit is lower than their monthly Medicare premium. SSA considers this alert to be a high priority because it must bill beneficiaries the remaining Medicare premium as soon as possible and timely issue accurate Social Security Benefit Statements. SSA expects to complete 99 percent of these alerts by February 28th each year.³

The number of beneficiaries who have a monthly Social Security benefit lower than the monthly Medicare premium increased 48 percent from 2012 through 2015 (see Figure 1).⁴ This growth increased the burden on SSA to complete necessary actions within the designated timeframe.

Figure 1: Beneficiaries Who Had Monthly Benefit Lower Than Medicare Premium



¹ For the purposes of this report, the term "Medicare" refers only to Medicare Part B.

² SSA, POMS, RS 00601.120 (November 10, 2014).

³ KCNet, *Monthly Benefit Amount Less Than Premium*, <http://kcnet.kc.ssa.gov/cps/t2systems/lessdo.htm> (last updated April 22, 2016).

⁴ SSA, NEPSC Management Information, *PC Pending and Age Overview Query*, November 20, 2015.

To conduct our review, we obtained a list of all beneficiaries who had an alert indicating Social Security benefits were lower than the monthly Medicare premium for Calendar Year 2015. From this population of 68,941 beneficiaries, we randomly selected 250 for detailed analysis to determine whether SSA's actions were correct (see Table C-1).

Our analysis focused only on the periods during which the beneficiaries' monthly Social Security benefit was lower than the monthly Medicare premium. We did not assess the entire period of Medicare entitlement to determine whether other Medicare-related issues also affected the beneficiaries' Medicare balance. Accordingly, it is possible the beneficiaries we reviewed owed past-due premiums or were due refunds in addition to those we identified. According to SSA, it may include periods of Medicare entitlement outside of the periods during which the Social Security benefit was lower than the monthly Medicare premium, as appropriate, when reviewing the cases we refer for corrective actions to determine whether other issues also affect the Medicare balance.

See Appendix A for our detailed scope and methodology.

RESULTS OF REVIEW

SSA incorrectly calculated the Medicare premium owed for 120 (48 percent) of the beneficiaries we reviewed who had a monthly Social Security benefit lower than their monthly Medicare premium. Based on these results, we project 33,092 beneficiaries paid incorrect amounts totaling almost \$21.9 million for Medicare premiums because of SSA's errors. These errors included miscalculations, erroneous system inputs, and failure to update beneficiary records correctly. As a result, some beneficiaries paid more than the correct amount for Medicare premiums, while others paid less.

We also found 23 (9.2 percent) of the beneficiaries we reviewed paid a different amount for their Medicare premiums than SSA correctly calculated. Therefore, we project 6,343 beneficiaries paid incorrect amounts totaling almost \$3.4 million for Medicare premiums despite SSA calculating the amount correctly. Accordingly, some beneficiaries paid less than the full amount owed while others paid more.

SSA Calculation Errors

SSA staff incorrectly calculated the Medicare premium owed for 120 (48 percent) of the beneficiaries we reviewed. As a result of the calculation errors, for Medicare premiums owed,

- 66 beneficiaries paid less than the correct amount, totaling almost \$53,000, and
- 54 beneficiaries paid more than the correct amount, totaling almost \$27,000.⁵

Therefore, we project 33,092 beneficiaries in our population paid incorrect amounts totaling almost \$21.9 million for Medicare premiums because of SSA's errors. These included instances where SSA miscalculated the amount of benefits withheld or premiums owed. Additionally, in some cases, technicians made erroneous systems inputs or did not update beneficiary records correctly (see Table C–2 and Table C–3).

For example, beginning in December 2002, one beneficiary received monthly Social Security benefits that were less than his Medicare premiums. The beneficiary paid the amount SSA billed. However, because of errors in SSA's calculations, he paid \$1,122 more than he actually owed for his Medicare premiums from December 2002 through December 2015. This occurred because SSA incorrectly calculated the amount of Social Security benefits withheld when it arrived at the Medicare premium due.

Technicians are required to update numerous records and manually calculate benefits withheld and Medicare premiums owed for each year.⁶ Additionally, technicians are required to review previous actions taken for the entire period where the Medicare premium has exceeded the monthly benefit for each case.⁷ If technicians do not conduct a thorough review, SSA may continue relying on inaccurate data resulting in some beneficiaries paying more or less than they should.

We recommend that SSA review cases we identified with calculation errors and take corrective actions. Additionally, for the remaining beneficiaries in our population, we recommend SSA instruct employees to address existing calculation errors during the Fiscal Year (FY) 2017 Medicare premium workload review. Corrective actions should include recalculating and billing for additional amounts owed by beneficiaries who paid less than they should have. Conversely, for those who paid more than they should have, SSA should reduce the Medicare premium amount due for the current period and refund any remaining amounts to the beneficiaries.

⁵ We also found five beneficiaries who paid the correct amount despite SSA's calculation errors.

⁶ See Appendix B for a detailed explanation of the manual billing process to collect Medicare premiums.

⁷ SSA, Office of Learning, Technical Support Technician Training, Unit 5, *TT 20 MBA Less than SMI*, p. 9-10 (modified September 30, 2014).

Incorrect Beneficiary Payments

We identified 23 beneficiaries in our sample who paid a different amount for their Medicare premiums than SSA correctly calculated. Specifically,

- 18 beneficiaries paid less than the amount SSA calculated for the Medicare premiums, totaling over \$9,200, and
- 5 beneficiaries paid more than the amount SSA calculated for the Medicare premiums, totaling over \$3,000.

Therefore, we project 6,343 beneficiaries in our population paid incorrect amounts for Medicare premiums totaling almost \$3.4 million despite SSA calculating the amount correctly (see Table C-4 and Table C-5).

Of the 18 beneficiaries who paid less than the amount SSA correctly calculated for their Medicare premiums, 7 were subject to having their Medicare coverage terminated. Specifically, as of December 2015, the amount of past-due Medicare premiums for these beneficiaries equaled or exceeded 3 months of their current Medicare premium rate. According to the Code of Federal Regulations (C.F.R.), if an unpaid premium equals or exceeds three times the current monthly premium rate, SSA must attempt to collect it immediately. If the past-due amount is not paid within 3 months, SSA should terminate Medicare coverage.⁸

We project 1,930 beneficiaries in our population owed Medicare premiums totaling over \$2.1 million and were subject to having their Medicare coverage terminated (see Table C-6 and Table C-7).

For example, one beneficiary became entitled to Medicare coverage in August 2008. The beneficiary's monthly Social Security benefit was less than the Medicare premium throughout his entitlement. However, SSA records indicated the beneficiary never made a Medicare payment. Based on this, the beneficiary owes SSA almost \$8,000 for Medicare premiums since 2008.

We recommend SSA review the cases we identified with payment errors and take necessary corrective actions. Further, for the remaining beneficiaries in our population, we recommend SSA instruct employees to address existing payment errors during the FY 2017 Medicare premium workload review. Corrective actions should include collecting past-due amounts or terminating Medicare coverage, if appropriate, for those who have paid less than they owed. Additionally, for the beneficiaries who paid more than they should have, SSA should reduce the Medicare premium amount due for the current period and refund any remaining excess amounts.

⁸ 42 C.F.R. 408.63(b).

Agency Efforts to Increase Accuracy

SSA has made efforts to reduce the complexity of cases requiring manual calculation of the Medicare premiums owed and limit the number of manual actions that can lead to errors.

- The Mid-Atlantic Program Service Center (PSC) developed a calculator to simplify the process of calculating benefits due and premiums owed. However, this tool performs calculations based on information a technician manually entered in a spreadsheet. It does not automate any of the inputs required to update beneficiary records or issue billing notices.
- The Mid-America PSC created an enhanced calculator that obtains some premium data automatically when the technician enters the beneficiary's Social Security number. However, the technician must still review the Medicare record for payments that were refunded or returned because of insufficient funds. As with the previous calculator, this tool does not automate any other actions beyond calculating the total amount of Medicare premiums for a certain period
- The Mid-America PSC also developed a tool that reduces the number of manual inputs required. While this tool limits the number of inputs, which reduces the possibility of keying errors and erroneous inputs, it can only be used for cases that meet certain criteria.⁹ Additionally, the tool does not aid in performing calculations.
- Some PSCs have started using programming to automate processing of some cases. In some cases, the programming can complete all necessary actions. In other cases, the programming can only partially complete processing and additional manual action is required. Further, cases with certain conditions are excluded from automated processing.¹⁰

We are recommending SSA determine the feasibility of developing automated procedures to limit the number of error-prone actions for cases requiring manual calculation of Medicare premiums.

CONCLUSIONS

SSA incorrectly calculated the Medicare premium amount owed for 120 (48 percent) of the beneficiaries we reviewed. As a result, some beneficiaries paid more for Medicare than they owed, and others paid less. Further, 23 (9.2 percent) of the beneficiaries we reviewed paid a different amount for their Medicare premiums than SSA correctly calculated. As a result, some beneficiaries owed Medicare premiums, and others were due a refund.

⁹ MAMPSC, HI P01001.041, *Working the Yearly BRI BAC * LESSDO Alert* (updated July 14, 2016).

¹⁰ GLPSC, Operations Bulletin 15-36, p. 3-4 (December 15, 2015).

SSA has acknowledged that cases requiring manual calculation of Medicare premiums owed are an area of concern due to the high error rate and potential for public relations issues. Agency training material states they are “. . . highly error prone so processing instructions should be followed closely without shortcuts being taken.”¹¹ Accordingly, the Agency must continue taking steps to ensure it detects and corrects existing errors and prevents future similar mistakes.

RECOMMENDATIONS

We recommend SSA:

1. Review the 143 cases we identified with calculation or payment errors and take necessary corrective actions.
2. For the remaining beneficiaries in our population, instruct employees to address existing calculation and payment errors during the FY 2017 Medicare premium workload review.
3. Determine the feasibility of developing automated procedures to limit the number of error-prone actions for cases requiring manual calculation of Medicare premiums.

AGENCY COMMENTS

SSA agreed with our recommendations. For the full text of SSA’s comments, see Appendix D.



Rona Lawson
Assistant Inspector General for Audit

¹¹ SSA, Office of Learning, Technical Support Technician Training, Unit 5, *TT 20 MBA Less than SMI*, p. 7 (modified September 30, 2014).

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective we:

- Reviewed applicable Federal laws and regulations as well as sections of the Social Security Administration's (SSA) policies and procedures.
- Obtained from SSA a list of 68,941 Social Security numbers for which the Benefit Rate Increase program generated alerts indicating the monthly benefit was lower than the Medicare premium in November 2014.
- Selected a random sample of 250 beneficiaries for detailed review.
 - Reviewed the Master Beneficiary Record, Payment History Update System, and Direct Billing System.
 - Determined whether SSA calculated the correct amount of benefits withheld and the remaining amount the beneficiary owed.
 - Determined whether the beneficiary paid the correct amount of payments toward premium amounts owed.
 - Determined whether SSA correctly processed actions for beneficiaries who failed to pay for their Medicare coverage or paid excess amounts.
- Projected the number of beneficiaries who paid an incorrect amount for Medicare coverage due to
 - SSA calculation errors, along with the corresponding amount owed or to be refunded and
 - beneficiary payment errors, along with the corresponding amount owed or to be refunded.
- Projected the number of beneficiaries subject to Medicare termination due to failure to pay premiums, along with the corresponding amount owed.

The entity reviewed was the Office of Operations. We conducted our review in the Office of Audit in Kansas City, Missouri, between May and July 2016. We determined that the data used in this report were sufficiently reliable given the review objectives and its intended use. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix B – COLLECTION FROM BENEFICIARIES WHEN THE AMOUNT OF THE BENEFIT PAYMENT IS LESS THAN THE AMOUNT OF THE PREMIUM

When a beneficiary entitled to Medicare receives a monthly Social Security payment, the Social Security Administration (SSA) deducts the premium from the payment each month. In some instances, however, the amount of the monthly benefit may be lower than the amount of the monthly premium. Thus, after offsetting the monthly benefit for premium collection, a premium liability remains. The program service center will then bill the beneficiary directly for the remaining liability. The program service center does this billing annually.¹

In addition to updating the Master Beneficiary Record to suspend benefits, program service center technicians must manually adjust the Payment History Update System to credit benefits withheld toward Medicare premiums. The Payment History Update System is the record of payments made and is used to generate Form SSA-1099, *Social Security Benefit Statement*, for tax filing purposes. SSA must provide each beneficiary an accurate record of all benefits paid and credited and all Medicare premiums withheld from benefits.

Personnel must also manually correct the premium balance due in the Centers for Medicare and Medicaid Services' direct billing system. The direct billing system is the official record of the Medicare premium liability and SSA must ensure the system's accuracy. Finally, technicians must transfer funds from the appropriate payment trust fund into the Supplementary Medical Insurance Trust Fund. This action maintains the integrity of the trust fund balances and ensures the Supplementary Medical Insurance Trust Fund is not charged improperly.

Each of these systems requires a separate manual input, and all the calculations require that technicians correctly compute the amount of benefits withheld and the amount of premiums charged throughout the year. Each program service center has its own work plan and local guidelines. Some program service centers have also implemented special review procedures to ensure accuracy.

¹ SSA, POMS, HI 01001.041 (July 14, 2015).

Appendix C – SAMPLING RESULTS AND PROJECTIONS

We established our population as detailed in Appendix A.

Table C–1: Sample Size

Sample Size	250
Total Population	68,941

Sample Errors and Projections

From our sample of 250 beneficiaries, we identified 120 who paid an incorrect amount for Medicare coverage because of Social Security Administration (SSA) staff calculation errors. Based on these results, we project that 33,092 beneficiaries in the population paid incorrect premium amounts because SSA made a mistake.

Table C–2: Beneficiaries with Incorrect Premiums Due to SSA Error

Description	Number of Beneficiaries
Sample Results	120
Population Projection	33,092
Projection – Lower Limit	29,404
Projection – Upper Limit	36,804

Note: All projections are at the 90-percent confidence level.

The beneficiaries who paid incorrect premium amounts due to an SSA error had a combined incorrect payment amount of \$79,361. Therefore, we project that the total incorrect payment amount was \$21,884,791.

Table C–3: Amount of Incorrect Premiums Due to SSA Error

Description	Past-due Premiums
Sample Results	\$79,361
Population Projection	\$21,884,791
Projection – Lower Limit	\$16,524,134
Projection – Upper Limit	\$27,245,448

Note: All projections are at the 90-percent confidence level.

From our sample of 250 beneficiaries, we identified 23 who paid an incorrect amount for Medicare premiums due to their own error. Based on these results, we project that 6,343 beneficiaries in the population paid incorrect premium amounts due to their own mistake.

Table C–4: Beneficiaries with Incorrect Premiums Due to Beneficiary Error

Description	Number of Beneficiaries
Sample Results	23
Population Projection	6,343
Projection – Lower Limit	4,395
Projection – Upper Limit	8,807

Note: All projections are at the 90-percent confidence level.

The beneficiaries who paid incorrect premium amounts due to their own error had a combined incorrect payment amount of \$12,232. Therefore, we project the total incorrect payment amount was \$3,373,256.

Table C–5: Amount of Incorrect Premiums Due to Beneficiary Error

Description	Past-due Premiums
Sample Results	\$12,232
Population Projection	\$3,373,256
Projection – Lower Limit	\$1,551,781
Projection – Upper Limit	\$5,194,730

Note: All projections are at the 90-percent confidence level.

Additionally, of the 18 beneficiaries who paid less than the correct amount for Medicare coverage, we identified 7 beneficiaries whose past-due amount equaled or exceeded 3 months of their current Medicare premium rate. Based on these results, we project that 1,930 beneficiaries in the population had past-due premium amounts and may have been subject to Medicare termination.

Table C–6: Beneficiaries Potentially Subject to Medicare Termination Due to Past-due Premiums Owed

Description	Number of Beneficiaries
Sample Results	7
Population Projection	1,930
Projection – Lower Limit	913
Projection – Upper Limit	3,578

Note: All projections are at the 90-percent confidence level.

For the beneficiaries from our sample whose past-due premium amount was such that they may have been subject to Medicare termination, the total past-due premium amount was \$7,713. Based on these results, we project the total past-due premiums for beneficiaries who may have been subject to Medicare termination was \$2,126,913.

Table C–7: Amount of Past-due Premiums Owed by Beneficiaries Potentially Subject to Medicare Termination

Description	Past-due Premiums
Sample Results	\$7,713
Population Projection	\$2,126,913
Projection – Lower Limit	\$665,283
Projection – Upper Limit	\$3,588,542

Note: All projections are at the 90-percent confidence level.

Appendix D – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: September 16, 2016 Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

From: Frank Cristaudo /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, “Accuracy of the Social Security Administration’s Manual Billing Process to Collect Medicare Premiums” (A-07-16-50135)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
"ACCURACY OF THE SOCIAL SECURITY ADMINISTRATION'S MANUAL
BILLING PROCESS TO COLLECT MEDICARE PREMIUMS" (A-07-16-50135)**

General Comments

We take our responsibility to ensure the accuracy of Medicare billing as seriously as we do the issuance of Social Security program payments. In 2015, we were responsible for maintaining premium records for 56 million Medicare beneficiaries. Billing varies depending upon beneficiary payment status. These variations directly affect billing actions and reimbursement to the Centers for Medicare and Medicaid Services (CMS). We have developed tools that automate Medicare premium calculations and notices. We will continue to take steps to enhance our tools and ensure the accuracy of Medicare premium calculations.

Recommendation 1

Review the 143 cases we identified with calculation or payment errors and take necessary corrective actions.

Response

We agree. We will review the cases identified and take corrective action as appropriate.

Recommendation 2

For the remaining beneficiaries in our population, instruct employees to address existing calculation and payment errors during the FY 2017 Medicare premium workload review.

Response

We agree. We will issue instructions to employees to address existing calculation and payment errors.

Recommendation 3

Determine the feasibility of developing automated procedures to limit the number of error-prone actions for cases requiring manual calculation of Medicare premiums.

Response

We agree. We will explore the feasibility of developing automated procedures to limit the number of error-prone actions for cases requiring a manual calculation of Medicare premiums.

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