Duplicate Payments for Healthcare Providers

The Scenario

The auditor was working on an audit of a claims-processing contractor to determine if the company's internal controls over duplicate payments were effective. The auditor selected a statistical sample of payments and noted that the contractor's records contained numerous duplicate payments which appeared to be caused by an absence of several key internal controls and/or administrative processing errors. The auditor's analysis of contractor payments, data searches, and employee interviews disclosed the following information:

- The claims processing system did not have an automatic reject in place to prevent duplicate payments for hospital inpatient care. Instead, these claims were set aside for manual review. As a result, duplicate payments were made for some of the payments included in the audit sample.

- Contractor system edits for duplicate claims were often based on matching fields, including the provider's identification number. The subcontractor created duplicate provider records when a billing address changed, or if the provider name did not have an exact match in the system. Consequently, providers were sometimes receiving payment for the same claims two or three times.

- One processor paid several claims, totaling over $250,000, more than one time because they had the ability to override system edit checks for duplicate claims for professional services. The auditor interviewed the processor several times and discovered that they were not comparing actual claim documentation and sometimes made payment decisions based on summary data. The processor acknowledged that system edit checks had identified the questionable claims as possible duplicates, but the claims processor paid the claims anyway, after overriding the system controls.

- The auditor's review of hard copy claims and supporting documentation showed that the same processor authorized payments for claims that were submitted multiple times and authorized payments for some claims that were resubmitted with minor changes to the claim and/or supporting documentation.

- The processor's supervisor stated that they were not conducting periodic reviews of system overrides. The supervisor stated that this requirement was not included in the current policies and procedures manual.

After several interviews with the auditor, the processor admitted to incorrectly processing the duplicate claims. The auditor alerted management to the weakness and learned that they were working on drafting a new policy requiring periodic reviews of system overrides because their external auditor made this recommendation during a recent review of the company's system application controls.

General Comments / Lessons Learned. Duplicate payments can be caused by a combination of factors including management's failure to create a strong internal control environment, weak or absent information technology controls, and administrative processing errors. In some situations, human error can result in duplicate payments. However, when a pattern of duplicate payments, administrative errors, or overrides of system controls are noted, auditors should exercise professional skepticism. Auditors should be aware of the fraud indicators identified in this scenario when conducting audits of Department of Defense payment systems.

FRAUD INDICATORS

- **Absence of an automatic reject control for claims submitted by the same institution.**

- **Multiple claims for the same beneficiary, same provider, dates of service, and amounts billed.**

- **Use of multiple provider identification numbers for the same provider.**

- **Failure of processors to compare actual claim documentation and the practice of making decisions based on summary data.**

- **Processors ability to override system controls.**

- **Management does not conduct periodic reviews of system overrides.**

- **Submission of the same claims multiple times or repeated resubmission of claims with minor changes to the claim and/or supporting documentation.**