



CENTER FOR MEDICARE

DATE: May 9, 2014

TO: All Medicare Advantage Organizations Prescription Drug Plan Sponsors, Section 1876 Cost Contractors, Section 1833 Health Care Prepayment Plans, and PACE Plans

FROM: Danielle R. Moon, J.D., M.P.A., Director
Medicare Drug & Health Plan Contract Administration Group

Jennifer R. Shapiro, MPH, Acting Deputy Director
Medicare Drug Benefit and C & D Data Group

SUBJECT: Inclusion of "Medicare" on Checks and Electronic Funds Transfer Payments

This memorandum is being issued in response to a recommendation made in the Office of the Inspector General Management Implication Report 13-0001, entitled "Identification of Electronic Funds Transfers as Medicare Payments." The report cited a potential vulnerability in the Medicare payment process and noted that the absence of the word "Medicare" on Medicare payments enabled suspicious activity to evade detection by financial institutions.

The Centers for Medicare & Medicaid Services (CMS) contracts with private insurance companies to provide Medicare covered benefits. To ensure federal funds are used appropriately, CMS has employed a broad array of program safeguards to identify fraudulent Medicare claims and to prevent improper payments. However, since CMS pays private insurance companies and not individual claims, detecting fraudulent activity can be more complex, resulting in some fraudulent claims evading detection.

CMS is concerned that some inappropriate claims may be paid because bank fraud examiners have difficulty in determining when customers are depositing Medicare payments. This occurs because the various insurance companies use different notations on their payments. Since the payments are not identified as Medicare funds, bank officials responsible for submitting suspicious activity reports are unaware that the sums flowing into these accounts are for Federal payments from Medicare. Therefore, CMS is recommending that private insurance companies assist in preventing fraud by including the word "Medicare" on all checks, electronic funds transfers, and electronic remittance advice payments.

Thank you in advance for your cooperation.