Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

MEDICARE CONTRACTORS' PAYMENTS TO PROVIDERS FOR HOSPITAL OUTPATIENT DENTAL SERVICES IN KENTUCKY AND OHIO DID NOT COMPLY WITH MEDICARE REQUIREMENTS

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

Patricia Wheeler
Regional Inspector General
for Audit Services

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Office of Inspector General

http://oig.hhs.gov

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

Medicare contractors paid providers in Kentucky and Ohio at least $1.7 Million over 3 years for hospital outpatient dental services that did not comply with Medicare requirements.

INTRODUCTION

WHY WE DID THIS REVIEW

Dental services are generally excluded from Medicare coverage unless certain criteria are met. Previous Office of Inspector General work identified Medicare payments for hospital outpatient dental services that did not comply with Medicare requirements. From January 1, 2011, through October 31, 2013, Medicare contractors paid providers in Jurisdiction 15 (Kentucky and Ohio) the second highest reimbursement amount of all jurisdictions for hospital outpatient dental services that we determined may be ineligible for Medicare payment.

OBJECTIVE

Our objective was to determine whether Medicare contractor payments to providers in Jurisdiction 15 for hospital outpatient dental services complied with Medicare requirements.

BACKGROUND

Title XVIII of the Social Security Act (the Act) established the Medicare program, which provides health insurance coverage to people aged 65 and over, people with disabilities, and people with end-stage renal disease. The Centers for Medicare & Medicaid Services (CMS) administers the program.

Medicare Contractors

CMS contracts with Medicare contractors to process and pay Medicare claims submitted by hospital outpatient departments.[1] The Medicare contractors' responsibilities include determining reimbursement amounts, conducting reviews and audits, and safeguarding against fraud and abuse. Federal guidance provides that Medicare contractors must maintain adequate internal controls over automatic data processing systems to prevent increased program costs and erroneous or delayed payments. To process providers' claims for hospital outpatient dental services, the Medicare contractors use the Fiscal Intermediary Standard System (FISS).

Hospital Outpatient Dental Services

Medicare generally does not cover hospital outpatient dental services. Under the general exclusion provisions of the Act, items and services in connection with the care, treatment, filling,

[1] Section 911 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173, required CMS to transfer the functions of fiscal intermediaries and carriers to Medicare administrative contractors (MACs) between October 2005 and October 2011. Most, but not all, of the MACs are fully operational; for jurisdictions where the MACs are not fully operational, the fiscal intermediaries and carriers continue to process claims. In this report, the term "Medicare contractor" means the fiscal intermediary, carrier, or MAC, whichever is applicable.

removal, or replacement of teeth or structures directly supporting the teeth (e.g., preparation of the mouth for dentures) are not covered (§ 1862(a)(12)). Coverage is not determined by the value or the necessity of the dental care but by the type of service provided and the anatomical structure on which the procedure is performed.

For hospital outpatient dental services to be covered, they must be performed as incident to and as an integral part of a procedure or service covered by Medicare.[2] For example, Medicare covers extractions done in preparation for radiation treatment for neoplastic diseases involving the jaw, but a tooth extraction performed because of tooth decay is not covered.

Providers generate the claims for hospital outpatient dental services provided to Medicare beneficiaries. Medicare requires providers to submit accurate claims.

CGS Administrators and National Government Services

During our audit period (January 1, 2011, through December 31, 2013), National Government Services was the fiscal intermediary for Kentucky and Ohio from January 1 through October 16, 2011. CGS Administrators assumed full responsibility as the Medicare contractor for providers in Jurisdiction 15[3] effective October 17, 2011. Accordingly, we are addressing our recommendations to CGS Administrators.

HOW WE CONDUCTED THIS REVIEW

Our review covered 2,923 hospital outpatient dental services, totaling $1,813,097, paid by Medicare contractors to providers in Jurisdiction 15 during our audit period. We excluded dental services associated with a diagnosis related to cancer or physical trauma because Medicare officials explained that these services are generally eligible for Medicare payment. We selected a stratified random sample of 100 hospital outpatient dental services and contacted the providers that received the payments for those services to determine whether the services complied with Medicare requirements.

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

Appendix A contains the details of our audit scope and methodology, Appendix B contains our statistical sampling methodology, and Appendix C contains our sample results and estimates.

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[2] *Medicare Benefit Policy Manual*, Publication No. 100-02, chapter 15, section 150.

[3] Federal regulations state that providers enroll with and receive Medicare payment from the Medicare contractor for the geographic locale in which the provider is physically located (42 CFR § 421.404). CMS may grant exceptions to the geographic assignment rule for qualified chain providers and for providers that are not under the control of a qualified chain provider if CMS finds that the exception will serve some compelling interest of the Medicare program.

FINDINGS

Medicare contractor payments to providers in Jurisdiction 15 for hospital outpatient dental services did not comply with Medicare requirements. Of the 100 dental services in our stratified random sample, 97 did not comply with Medicare requirements. We did not review two dental services because the providers submitted claims to a different Medicare contractor. The remaining dental service was refunded before our audit work**.** Using our sample results, we estimated that Medicare contractors improperly paid providers in Jurisdiction 15 at least $1,741,572 for hospital outpatient dental services that did not comply with Medicare requirements.

On most of the sampled hospital outpatient dental services we reviewed, providers in Jurisdiction 15 billed Medicare for tooth extractions, which is not a covered service.[4] In addition, providers billed Medicare for unallowable tooth socket repairs, most of which are performed in preparation for dentures.[5] These unallowable tooth extractions and tooth socket repairs accounted for the majority, or 89 percent, of all unallowable dental services in our sample. Other types of unallowable dental services included, for example, partial or full mouth x-rays of the teeth.[6]

The providers that received the improper payments agreed that the Medicare contractor payments for hospital outpatient dental services did not comply with Medicare requirements. The majority of the providers stated that the unallowable payments occurred because the noncovered dental services were mistakenly coded as covered services. The remaining providers did not provide a reason for the billing errors. In addition, the Medicare contractors did not have sufficient edits in the FISS to prevent payment for the dental services that did not meet Medicare requirements.

WHAT WE RECOMMEND

We recommend that CGS Administrators:

- recover the $1,741,572 in unallowable payments,
- use the results of this audit in its provider education activities, and
- implement system edits to ensure that payments made to providers for hospital outpatient dental services comply with Medicare requirements.

[4] *Medicare Benefit Policy Manual*, Pub. No. 100-02, chapter 15, section 150.

[5] *Id*.

[6] *Id*.

CGS ADMINISTRATORS COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its comments on our draft report, CGS Administrators concurred with our recommendations. However, regarding the first recommendation, CGS Administrators stated that it anticipates the amount it can recover will be less than the recommended amount because there were several claims that were submitted to a different contractor and because there were claims that were refunded before OIG's audit work was completed. In addition, CGS Administrators provided information on actions that it has taken or planned to take to address the second and third recommendations. Specifically, CGS Administrators stated that it will forward an educational reminder to its provider community outlining the Medicare requirements regarding dental services and explained that it had implemented localized edits to prevent payment when providers bill for dental services as the primary procedure.

CGS Administrators' comments are included in their entirety as Appendix D.

After reviewing CGS Administrators' comments, we maintain that our recommended recovery amount is valid. On the basis of our statistical sample, we estimated that at most $71,525 in claims for dental services were either submitted to a different contractor or were refunded before the end of our audit. Our recommended recovery amount of $1,741,572 excludes this amount (See Appendix C).

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our review covered 2,923 hospital outpatient dental services, totaling $1,813,097, paid by Medicare contractors to providers in Jurisdiction 15 during the period January 1, 2011, through December 31, 2013. We excluded dental services associated with a diagnosis related to cancer or physical trauma because Medicare officials explained that these services are generally eligible for Medicare payment. We selected a stratified random sample of 100 hospital outpatient dental services obtained from CMS's National Claims History file.

We limited our review of CGS Administrators' internal controls to those that were applicable to the selected dental services because our objective did not require an understanding of all internal controls over the submission and processing of claims. Our review allowed us to establish reasonable assurance of the authenticity and accuracy of the data obtained from the National Claims History file, but we did not assess the completeness of the file.

We performed our audit work from February through December 2014.

METHODLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- interviewed Medicare officials to obtain an understanding of the Medicare requirements related to hospital outpatient dental services;
- interviewed CGS Administrators officials to gain an understanding of CGS Administrators' policies and procedures related to payment for Medicare hospital outpatient dental services;
- extracted from CMS's National Claims History file 2,923 Medicare hospital outpatient dental services with a diagnosis not related to cancer or physical trauma, totaling $1,813,097, paid by Medicare contractors to providers in Jurisdiction 15 during the period January 1, 2011, through December 31, 2013;
- selected a stratified random sample of 100 hospital outpatient dental services from the sampling frame;
- contacted the providers that received the payments for the selected hospital outpatient dental services to determine whether the information on the claims was correct and, if not, why the claims were incorrect and whether the providers agreed that refunds were appropriate;

- evaluated the documentation obtained from the providers for each sample item to determine whether the hospital outpatient dental services were paid in accordance with Medicare requirements;

- estimated the unallowable payments made in the total population of 2,923 hospital outpatient dental services; and

- discussed the results of our audit with CGS Administrators officials.

See Appendix B for the details of our statistical sampling methodology and Appendix C for our sample results and estimates.

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

APPENDIX B: STATISTICAL SAMPLING METHODOLOGY

POPULATION

The population consisted of hospital outpatient dental services (1) which were not associated with a diagnosis related to cancer or physical trauma, (2) which were provided from January 1, 2011, through December 31, 2013, and (3) for which Medicare payments were made to providers in Jurisdiction 15 (Kentucky and Ohio).

SAMPLING FRAME

The sampling frame consisted of 2,923 hospital outpatient dental services totaling $1,813,097 for the period January 1, 2011, through December 31, 2013.

SAMPLE UNIT

The sample unit was a hospital outpatient dental service paid by Medicare contractors to providers in Jurisdiction 15.

SAMPLE DESIGN

We selected a stratified random sample.

Stratum	No. of Items	Dental Payments
1	30	$15,416
2	2,893	1,797,681
Total	**2,923**	**$1,813,097**

SAMPLE SIZE

We selected a sample of 100 dental services, 30 from stratum 1 and 70 from stratum 2.

SOURCE OF RANDOM NUMBERS

We used the Office of Inspector General (OIG), Office of Audit Services (OAS), statistical software to generate the random numbers.

METHOD OF SELECTING SAMPLE ITEMS

We consecutively numbered the sampling frame from 1 to 2,923. After generating 30 random numbers for stratum 1, we selected the corresponding frame items. We removed the 30 audited sample units from the sampling frame and consecutively numbered the sampling frame from 1 to 2,893. After generating 70 random numbers for stratum 2, we selected the corresponding frame items.

ESTIMATION METHODOLOGY

We used the OIG/OAS statistical software to estimate the dollar amount of all hospital outpatient dental services that were either submitted to a different Medicare contractor or refunded before our audit work. We then subtracted that estimate from the total frame value to determine the total amount of inappropriate Medicare payments for unallowable hospital outpatient dental services.

APPENDIX C: SAMPLE RESULTS AND ESTIMATES

Sample Details and Results

Stratum	Sampling Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Sampled Dental Services Not Reviewed	Value of Sampled Dental Services Not Reviewed
1	30	$15,416	30	$15,416	2	$1,293
2	2,893	1,797,681	70	35,373	1	647
Total	**2,923**	**$1,813,097**	**100**	**$50,789**	3	$1,940

Estimated Value of Dental Services Not Reviewed
(Limits Calculated for a 90-Percent Confidence Interval)

Point estimate	$28,050
Lower limit	($15,425)
Upper limit	$71,525

Estimated Value of Unallowable Payments
(Difference Between Value of Frame and Estimated Value of Dental Services Not Reviewed)

Value of Frame	$1,813,097
Estimated Value of Dental Services Not Reviewed[7] (Upper Limit)	71,525
Estimated Value of Unallowable Payments	**$1,741,572**

[7] These are dental services that were either submitted to a different Medicare contractor or refunded before our audit work.

APPENDIX D: CGS ADMINISTRATORS COMMENTS

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June 3, 2015

Patricia Wheeler
Regional Inspector General for Audit Services
Office of Inspector General
Office of Audit Services, Region VI
1100 Commerce Street, Room 632
Dallas, TX 75242

RE: CGS Response to Draft OIG Report entitled *Medicare Contractor's Payments to Providers for Hospital Outpatient Dental Services in Kentucky and Ohio Did Not Comply with Medicare Requirements* (A-06-14-00020)

Dear Ms. Patricia Wheeler,

CGS Administrators, LLC, the Part A/B and Home Health and Hospice Medicare Administrative Contractor for Jurisdiction 15, appreciates the opportunity to comment on the Office of Inspector General's draft report entitled *Medicare Contractor's Payments to Providers for Hospital Outpatient Dental Services in Kentucky and Ohio Did Not Comply with Medicare Requirements* (A-06-14-00020). In addition to requesting comments on the report, you ask that CGS state concurrence or nonconcurrence with each of the recommendations in the report.

The OIG makes three (3) recommendations in its report. Those recommendations are as follows:

1. Recover the $1,741,572 in unallowable payments
2. Use the results of this audit in its provider education activities
3. Implement system edits to ensure that payments made to providers for hospital outpatient dental services comply with Medicare requirements.

CGS concurs with the recommendations outlined in this report. Upon issuance of the final report and receipt of approval from CMS, CGS will review each claim line identified in the OIG's sampling frame and adjust any remaining claims that were processed by CGS but have not yet been cancelled or previously adjusted to deny payment for services. However, CGS anticipates the amount to recover will be less than the recommended amount of $1,741,572 since there were several claims that were excluded based on submission to a different contractor and those claims in which the provider refunded before the OIG audit work was completed.

CGS will comply with the recommendation to educate providers using the results of this OIG audit. While CGS now has local edits in place to detect and deny D-coded HCPCS, along with teeth cleaning and routine dentals services, CGS will forward an educational reminder, via Listserv, to our provider community outlining the Medicare requirements regarding dental services.

CGS agrees that the implementation of system edits was necessary to ensure that payments made to providers for hospital outpatient dental services comply with Medicare requirements. The incorrect payment of dental services during the time of this audit was due to local edits not firing when claims were processed. It has been determined that when CGS inherited the Part A environment from NGS, there were no local edits in place to catch dental services. In the last year of their contract, NGS relied solely on the Integrated Outpatient Code Editor (I/OCE) to capture dental services. I/OCE edits are CMS-dictated edits implemented by the System Maintainer across all contractors. These I/OCE edits were insufficient to identify and deny all lines for dental services. In July 2014, CGS created localized edits, in addition to the I/OCE edits, to prevent non-covered dental services from paying. These edits are an aggressive series of edits that prevent payment when dental services are the primary procedure involved. With these service edits in place, CGS rejects routine dental services based on the procedure and diagnosis code combinations. D-coded HCPCS are denied by the system along with teeth cleanings. Where there is an extraction of a tooth, the claim is not allowed to finalize unless it meets the conditions described in the IOM Pub. 100-02, Chapter 15, §150 as necessary due to a patient's underlying medical condition that is covered by the Medicare Program.

In summary, CGS Administrators, LLC is fully aware of the concerns outlined in draft report A-06-14-00020 and, as demonstrated above, are taking aggressive and extensive steps to address those concerns. Thank you for providing CGS the opportunity to comment prior to the issuance of the final report. Should you have any additional questions, please feel free to contact Jacqueline Yarbrough at 615.782.4671 or Jacqueline.Yarbrough@cgsadmin.com.

Sincerely,

John Kimball

John Kimball
Vice President, Operations