Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

MEDICARE CONTRACTORS' PAYMENTS TO PROVIDERS FOR HOSPITAL OUTPATIENT DENTAL SERVICES IN JURISDICTION K 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.

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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 Jurisdiction K at least $2.3 million 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 K (Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont) the 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 K 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 requires Medicare contractors to 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

[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.

exclusion provisions of the Act, items and services in connection with the care, treatment, filling, 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.

National Government Services, Inc., and NHIC, Corp.

National Government Services, Inc. (NGS), was the fiscal intermediary for Connecticut and New York during our entire audit period (January 1, 2011, through December 31, 2013). During a portion of our audit period (January 1, 2011, through October 24, 2013), NHIC, Corp., was the fiscal intermediary for Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. Effective October 25, 2013, NGS assumed full responsibility as the Medicare contractor for providers in Jurisdiction K.[3] Accordingly, we are addressing our recommendations to NGS.

HOW WE CONDUCTED THIS REVIEW

Our review covered 4,495 hospital outpatient dental services, totaling $3,005,245, paid by Medicare contractors to providers in Jurisdiction K 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.

[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.

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.

FINDINGS

Medicare contractor payments to providers in Jurisdiction K for hospital outpatient dental services did not comply with Medicare requirements. Of the 100 dental services in our stratified random sample, 85 did not comply with Medicare requirements. We did not review the remaining 15 dental services because the providers submitted claims to a different Medicare contractor. Using our sample results, we estimated that Medicare contractors improperly paid providers in Jurisdiction K at least $2,276,853 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 K 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 87 percent, of all unallowable dental services in our sample. Other types of unallowable dental services included 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. Most of the providers explained that the dental services were billed to Medicare because beneficiaries were eligible for both Medicare and Medicaid. Because Medicare was the primary payer for these services, providers were required to submit claims to Medicare first and document that Medicare denied the claims before they could bill Medicaid. However, the Medicare contractors incorrectly paid the claims. Some providers stated that they billed Medicare because they believed that the services were medically necessary and thus allowable. Other providers stated that the noncovered dental services were mistakenly coded as covered services. 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 NGS:

- recover the $2,276,853 in unallowable payments,
- use the results of this audit in its provider education activities, and

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

[5] *Id*.

[6] *Id*.

- implement system edits to ensure that payments made to providers for hospital outpatient dental services comply with Medicare requirements.

NATIONAL GOVERNMENT SERVICES, INC., COMMENTS

In its written comments on our draft report, NGS agreed with our recommendations. Regarding our second recommendation, NGS stated that its Provider Outreach and Education team will determine the appropriate enhancements to its provider educational materials. Regarding our third recommendation, NGS said that it developed an edit to deny payment for dental services based on specific diagnosis and procedure codes billed by the provider. In addition, NGS added to an existing edit a series of procedure codes for dental services that would be reviewed by a claims nurse to determine whether they meet Medicare requirements. NGS's comments are included in their entirety as Appendix D.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our review covered 4,495 hospital outpatient dental services, totaling $3,005,245, paid by Medicare contractors to providers in Jurisdiction K 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 NGS's 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 January 2014 through February 2015.

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 NGS's officials to gain an understanding of NGS's policies and procedures related to payment for Medicare hospital outpatient dental services;
- extracted from CMS's National Claims History file 4,495 Medicare hospital outpatient dental services with a diagnosis not related to cancer or physical trauma, totaling $3,005,245, paid by Medicare contractors to providers in Jurisdiction K 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 4,495 hospital outpatient dental services; and

- discussed the results of our audit with NGS 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) that were not associated with a diagnosis related to cancer or physical trauma, (2) that were provided from January 1, 2011, through December 31, 2013, and (3) for which Medicare payments were made to providers in Jurisdiction K (Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont).

SAMPLING FRAME

The sampling frame consisted of 4,495 hospital outpatient dental services totaling $3,005,245 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 K.

SAMPLE DESIGN

We selected a stratified random sample.

Stratum	No. of Items	Dental Payments
1	30	$18,948
2	4,465	2,986,297
Total	**4,495**	**$3,005,245**

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 4,495. 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 4,465. 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 submitted to a different Medicare contractor. 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	$18,948	30	$18,948	6	$2,273
2	4,465	2,986,297	70	51,236	9	7,160
Total	**4,495**	**$3,005,245**	**100**	**$70,184**	**15**	**$9,433**

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

Point estimate	$458,992
Lower limit	$189,593
Upper limit	$728,392

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

Value of Frame	$3,005,245
Estimated Value of Dental Services Not Reviewed (Upper Limit)	728,392
Estimated Value of Unallowable Payments	**$2,276,853**

APPENDIX D: NATIONAL GOVERNMENT SERVICES COMMENTS

National Government Services

MEDICARE

A CMS Medicare Administrative Contractor
http://www.NGSMedicare.com

June 5, 2015

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

Report Number: A-06-14-00022

Dear Ms Wheeler,

The following represents our response to the comments made in your report dated May 7, 2015:

Recommendation # 1 – Recover the $2,276,853 in unallowable payments.
NGS agrees with this recommendation to recover the unallowable payments. The claims will be reviewed for adjustment and worked accordingly. As claims are adjusted we will track the recoupments with the adjusted claim DCN and verify the recouped amount.

Recommendation # 2 – Use the results of this audit in its provider education activities.
NGS agrees with this recommendation and our Provider Outreach and Education team is reviewing the audit report and claim sample to determine the appropriate enhancements to our educational materials to encompass these audit findings.

Recommendation # 3 – Implement system edits to ensure that payments made to providers for hospital outpatient dental services comply with Medicare requirements.
NGS agrees with this recommendation and we have developed the criteria for an edit that is being set up to deny based on diagnosis and procedure codes. We are also adding a series of procedure codes to an existing edit that is set to suspend for review by a claims nurse. We anticipate that testing will begin within the next 2 weeks.

Sincerely,

Andrew Conn
Jurisdiction K Program Manager

CMS