

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**MEDICARE CONTRACTORS' PAYMENTS  
TO PROVIDERS FOR HOSPITAL  
OUTPATIENT DENTAL SERVICES  
GENERALLY DID NOT COMPLY WITH  
MEDICARE REQUIREMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
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# *Office of Inspector General*

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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.

*Six Medicare contractors paid providers an estimated \$9.8 million over 4 years for hospital outpatient dental services that did not comply with Medicare requirements.*

## INTRODUCTION

### WHY WE DID THESE REVIEWS

Dental services are generally excluded from Medicare coverage unless certain criteria are met. Previous Office of Inspector General (OIG) work identified Medicare payments for hospital outpatient dental services that did not comply with Medicare requirements. From January 1, 2011, through December 31, 2014, Medicare contractors paid providers for hospital outpatient dental services that we determined may be ineligible for Medicare payment. We performed audits of six of those Medicare contractors. This report summarizes the results of those audits<sup>1</sup> and includes recommendations the Centers for Medicare & Medicaid Services (CMS) could implement to help ensure that future claims for hospital outpatient dental services meet Medicare coverage requirements.

### OBJECTIVE

Our objective was to summarize the results of our six previous audits that identified instances of hospital outpatient dental services that did not comply 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. CMS administers the program.

#### Medicare Contractors

CMS contracts with Medicare contractors to process and pay Medicare claims submitted by hospital outpatient departments.<sup>2</sup> 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.

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<sup>1</sup> Appendix A contains a list of related OIG reports.

<sup>2</sup> 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. During our audit period, most, but not all, of the MACs were fully operational; for jurisdictions where the MACs were not fully operational, the fiscal intermediaries and carriers continued to process claims. In this report, the term "Medicare contractor" means the fiscal intermediary, carrier, or MAC, whichever was applicable.

## **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, 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.<sup>3</sup> 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. For beneficiaries who are eligible for both Medicare and Medicaid, Medicare is the primary payer for those services. Because Medicare generally does not cover dental services, providers are required to submit claims for dental services to Medicare first and document that Medicare denied those services before they can bill Medicaid.

## **HOW WE CONDUCTED THESE REVIEWS**

Our audits of the 6 Medicare contractors covered 15,690 hospital outpatient dental services, totaling \$10,874,814, paid to providers during the period January 1, 2011, through December 31, 2014 (our audit period varied depending on the Medicare contractor). 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 6 stratified random samples of 100 hospital outpatient dental services, 1 sample for each audit, totaling 600 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 B contains the details of our audit scope and methodology, Appendix C contains our statistical sampling methodology, and Appendix D contains our sample results and estimates.

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<sup>3</sup> *Medicare Benefit Policy Manual*, Publication No. 100-02, chapter 15, section 150.

## FINDINGS

In our six previous audits, we found that payments that Medicare contractors made to providers for hospital outpatient dental services generally did not comply with Medicare requirements. Of the 600 dental services in our 6 stratified random samples, 542 did not comply with Medicare requirements. We did not determine Medicare compliance for 3 dental services<sup>4</sup> because the payments were refunded before our audit work, and we did not determine Medicare compliance for 28 dental services because the providers of those services submitted claims to a different Medicare contractor.<sup>5,6</sup> Medicare contractors properly paid providers for the remaining 27 dental services. On the basis of these results, we estimated that the six Medicare contractors in our audits improperly paid providers an estimated \$9,783,023 for hospital outpatient dental services that did not comply with Medicare requirements.

For the sampled hospital outpatient dental services we reviewed, providers billed Medicare for unallowable tooth socket repairs, which are generally performed in preparation for dentures and are therefore not covered services.<sup>7</sup> In addition, providers billed Medicare for routine oral evaluations, x rays, and tooth extractions, which also are not covered services.<sup>8</sup> Other types of unallowable dental services included excisions, gum repair (performed when removing inflamed gums and when reshaping healthy gums for a cosmetic or functional purpose), and periodontal osseous surgery (performed when treating gum disease).<sup>9</sup>

For 541 of the 542 ineligible hospital outpatient dental services, providers agreed that the services for which Medicare contractors made payments did not meet Medicare requirements. We shared the results of the sampled dental services with the Medicare contractors to recoup those unallowable payments directly from the providers. For the remaining dental service, the provider disagreed with our assessment and did not respond to our request for a followup discussion. The Medicare contractor for that provider agreed that the service did not meet Medicare requirements.

Some providers explained that the Medicare contractors incorrectly paid the dental services submitted for beneficiaries eligible for both Medicare and Medicaid rather than denying those services. Other providers stated that the unallowable payments occurred because claims for the

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<sup>4</sup> These three dental services were treated as nonerrors for statistical estimates.

<sup>5</sup> These 28 dental services were treated as nonerrors for statistical estimates.

<sup>6</sup> 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. Although the providers of these claims were located in the geographic locale of the selected Medicare contractor, another Medicare contractor serviced them.

<sup>7</sup> *Medicare Benefit Policy Manual*, Pub. No. 100-02, chapter 15, section 150.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

dental services did not include the appropriate modifier or condition code indicating that they were ineligible for Medicare payment.

In addition, three of the six Medicare contractors stated that they did not have sufficient edits in place during the audit period to prevent payments to providers for ineligible dental services. Two additional Medicare contractors stated that edits were in place; however, the edits were not programmed to identify and suspend the majority of the ineligible dental payments. The remaining Medicare contractor stated that when its edits were put in place, those edits suspended claims for potentially ineligible dental services; however, the medical review team that reviewed those suspended claims misinterpreted the criteria for approving those claims and approved claims that should have been denied.

### **RECOMMENDATIONS**

We recommend that CMS implement national edits for hospital outpatient dental services and work with the Medicare contractors to develop or strengthen their local edits to ensure that payments made to providers for dental services comply with Medicare requirements.

### **CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In its written comments on our draft report, CMS did not concur with our recommendation to implement national edits, stating that it would be difficult to implement because dental coverage is based on the specific clinical needs of the beneficiary. However, CMS stated that it will work with its contractors to develop and strengthen local edits to help ensure that payments made to providers for dental services comply with Medicare requirements. CMS's comments are included in their entirety as Appendix E.

After reviewing CMS's comments, we maintain that our recommendation regarding the implementation of national edits is valid. Although we recognize that dental coverage is based on the specific clinical needs of the beneficiary, CMS should consider working with the Medicare contractors to determine a method for implementing national edits to address those needs.

**APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Medicare Contractor (Audit Period)</b>	<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
Noridian Healthcare Solutions, LLC (1/13 – 12/14)	<i>Medicare Contractors' Payments to Providers for Hospital Outpatient Dental Services in Jurisdictions E and F Generally Did Not Comply With Medicare Requirements</i>	<a href="#">A-06-15-00036</a>	5/16
Novitas Solutions, Inc. (1/12 – 8/14)	<i>Medicare Contractor Payments to Providers for Hospital Outpatient Dental Services in Jurisdiction H Generally Did Not Comply With Medicare Requirements</i>	<a href="#">A-06-15-00014</a>	4/16
First Coast Service Options, Inc. (1/12 – 8/14)	<i>First Coast Service Options' Payments to Providers for Hospital Outpatient Dental Services in Jurisdiction N Generally Did Not Comply With Medicare Requirements</i>	<a href="#">A-06-15-00013</a>	3/16
Wisconsin Physicians Service (1/13 – 12/14)	<i>Wisconsin Physicians Service's Payments to Providers for Hospital Outpatient Dental Services in Jurisdiction 5 and Jurisdiction 8 Generally Did Not Comply With Medicare Requirements</i>	<a href="#">A-06-15-00034</a>	3/16
CGS Administrators (1/11 – 12/13)	<i>Medicare Contractors' Payments to Providers for Hospital Outpatient Dental Services in Kentucky and Ohio Did Not Comply With Medicare Requirements</i>	<a href="#">A-06-14-00020</a>	7/15
National Government Services, Inc. (1/11 – 12/13)	<i>Medicare Contractors' Payments to Providers for Hospital Outpatient Dental Services in Jurisdiction K Did Not Comply With Medicare Requirements</i>	<a href="#">A-06-14-00022</a>	7/15



## **APPENDIX B: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

Our audits of the 6 Medicare contractors covered 15,690 hospital outpatient dental services, totaling \$10,874,814, paid to providers during the period January 1, 2011, through December 31, 2014 (our audit period varied depending on the Medicare contractor). 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 6 stratified random samples of 100 hospital outpatient dental services, 1 sample for each audit, totaling 600 dental services obtained from CMS's National Claims History file.

We limited our review of the Medicare contractors' 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 for these six individual audits from January 2014 through December 2015.

### **METHODOLOGY**

To accomplish our objective, we analyzed the findings and recommendations from our six previous audits. To accomplish our objectives in those previous audits, 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 the 6 Medicare contractors to gain an understanding of their policies and procedures related to payment for Medicare hospital outpatient dental services;
- extracted from CMS's National Claims History file 15,690 Medicare hospital outpatient dental services with a diagnosis not related to cancer or physical trauma, totaling \$10,874,814, paid by the 6 Medicare contractors to providers during the period January 1, 2011, through December 31, 2014;
- selected 6 stratified random samples of 100 hospital outpatient dental services, 1 sample for each audit, totaling 600 dental services from the sampling frames;
- 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;
- contacted the Medicare contractor for 1 dental service because the provider disagreed with our finding and could not be reached for followup discussions;
- estimated the unallowable payments made for the 15,690 hospital outpatient dental services in the 6 sampling frames; and
- discussed the results of our audit with the 6 Medicare contractors.

See Appendix C for the details of our statistical sampling methodology and Appendix D 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 C: STATISTICAL SAMPLING METHODOLOGY

### TARGET POPULATION

The population consisted of hospital outpatient dental services that were not associated with a diagnosis related to cancer or physical trauma paid by the six Medicare contractors to providers during the period January 1, 2011, through December 31, 2014 (depending on the Medicare contractor).

### SAMPLING FRAME

The 6 sampling frames consisted of 15,690 hospital outpatient dental services totaling \$10,874,814. The sampling frames generally matched the target populations but also excluded claims covered by other audits and investigations.

**Table 1: Sampling Frames for the Six Individual Contractors**

<b>Medicare Contractor</b>	<b>Number of Services</b>	<b>Value of Services</b>
Noridian Healthcare Solutions, LLC	2,326	\$1,299,654
Novitas Solutions, Inc.	2,639	2,099,705
First Coast Service Options, Inc.	1,314	1,151,636
Wisconsin Physician Services	1,993	1,505,477
CGS Administrators	2,923	1,813,097
National Government Services, Inc.	4,495	3,005,245
<b>Total</b>	<b>15,690</b>	<b>\$10,874,814</b>

### SAMPLE UNIT

The sample unit was a hospital outpatient dental service.

### SAMPLE DESIGN

We selected six stratified random samples, one for each Medicare contractor.

### SAMPLE SIZE

We selected a total of 600 dental services, 100 for each Medicare contractor. Each set of 100 dental services represented a separate sample.

### SOURCE OF RANDOM NUMBERS

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

## **METHOD OF SELECTING SAMPLE ITEMS**

For each of the six Medicare contractors, we consecutively numbered the sampling frames and selected the corresponding frame items for the generated random numbers.

## **ESTIMATION METHODOLOGY**

We used the OIG, OAS, statistical software to estimate the amount of Medicare overpayments for each of the six Medicare contractors. Each estimate was calculated separately as part of the corresponding audit. The total overpayment was calculated by summing the overpayment estimates that were calculated for each Medicare contractor.

**APPENDIX D: SAMPLE RESULTS AND ESTIMATES**

**Table 2: Sample and Frame Summary**

<b>Frame Size for the Selected Medicare Contractors</b>	<b>Value of Frame for the Selected Medicare Contractors</b>	<b>Sample Size</b>	<b>Value of Sample</b>	<b>Number of Unallowable Dental Services</b>	<b>Value of Unallowable Dental Services</b>
15,690	\$10,874,814	600	\$587,423	542	\$525,207

**Table 3: Estimated Value of Unallowable Dental Services**  
*(Lower Limits Calculated at the 90-Percent Confidence Level)*

<b>Medicare Contractor</b>	<b>Point Estimate</b>	<b>Lower Limit</b>
Noridian Healthcare Solutions, LLC	\$972,813	\$818,609
Novitas Solutions, Inc.	1,937,838	1,767,106
First Coast Service Options, Inc.	1,152,676	1,065,486
Wisconsin Physician Services	1,388,396	1,298,794
CGS Administrators	1,785,047	1,741,572
National Government Services, Inc.	2,546,253	2,276,853
<b>Total</b>	<b>\$9,783,023</b>	

# APPENDIX E: CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS




DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

DEC 16 2016

200 Independence Avenue SW  
Washington, DC 20201

**To:** Daniel R. Levinson  
Inspector General  
Office of the Inspector General

**From:** Andrew M. Slavitt   
Acting Administrator  
Centers for Medicare & Medicaid Services

**Subject:** Medicare Contractors' Payments to Providers for Hospital Outpatient Dental Services Generally Did Not Comply with Medicare Requirements (A-06-16-05003)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of the Inspector General's (OIG) report. CMS strives to provide Medicare beneficiaries with access to high quality health care while protecting taxpayer dollars.

As defined by the Social Security Act, dental services are generally excluded from Medicare coverage unless certain criteria are met. Items and services in connection with the care, treatment, filling, removal or replacement of teeth or structures directly supporting the teeth are not covered. However, Medicare will pay for dental services that are incident to and an integral part of a covered procedure (e.g., reconstruction of the jaw following accidental injury), or for extractions done in preparation for radiation treatment for neoplastic diseases involving the jaw. Medicare will also make payment for oral examinations, but not treatment, preceding kidney transplantation or heart valve replacement, under certain circumstances.

As OIG noted, CMS contracts with Medicare contractors to process and pay Medicare claims submitted by hospital outpatient departments. The Medicare contractors' responsibilities include determining payment 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. As such, Medicare contractors may implement prepayment edits to flag claims for further review or prevent payment for non-covered, incorrectly coded, inappropriately or fraudulently billed items or services and are required to evaluate their edits regularly to assess their effectiveness. The Medicare contractors may also use medical reviews to ensure that drug claims meet coverage criteria.

### OIG Recommendation

The OIG recommends that CMS implement national edits for hospital outpatient dental services and work with the Medicare contractors to develop or strengthen their local edits to ensure that payments made to providers for dental services comply with Medicare requirements.

**CMS Response**

CMS non-concurs with the OIG's recommendation. Certain Medicare outpatient dental procedures are eligible for payment, but coverage is based on the specific clinical needs of the beneficiary. Therefore, a national edit would be difficult to implement. However, CMS will work with our contractors to develop and strengthen local edits to help ensure payments made to providers for dental services comply with Medicare requirements.