Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

MEDICARE ALLOWANCES FOR INCONTINENCE SUPPLIES

JUNE GIBBS BROWN
Inspector General

MARCH 1997
OEI-03-94-00773

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, is to protect the integrity of the Department of Health and Human Services programs as well as the health and welfare of beneficiaries served by them. This statutory mission is carried out through a nationwide program of audits, investigations, inspections, sanctions, and fraud alerts. The Inspector General informs the Secretary of program and management problems and recommends legislative, regulatory, and operational approaches to correct them.

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OEI's Philadelphia Regional Office prepared this report under the direction of Robert A. Vito, Regional Inspector General. Principal OEI staff included:

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APRIL 1997
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EXECUTIVE SUMMARY

PURPOSE

This report identifies trends in questionable billing practices for incontinence supplies under Medicare Part B in 1995.

BACKGROUND

Incontinence is the inability of the body to control urinary and bowel functions. Under the Medicare Part B program, the Health Care Financing Administration (HCFA) will reimburse suppliers that provide incontinence supplies to aid individuals whose incontinence condition "...is of long and indefinite duration." Such reimbursement is provided only as part of Medicare's coverage for prosthetic devices such as catheters and external urinary collection devices. The HCFA will also reimburse for accessories such as irrigation syringes and sterile saline solutions that aid in the effective and therapeutic use of these devices.

We determined trends in Medicare allowances for incontinence supplies in calendar years 1994 and 1995 from a 1 percent sample of beneficiaries from HCFA's National Claims History file. We focused on questionable practices concerning two facets of billing: 1) accessories that can only be billed with prosthetic devices and 2) frequency parameters for female external urinary collection devices. In December 1994, the Office of Inspector General (OIG) issued a report which identified over $100 million in questionable allowances for incontinence supplies.

Since our initial study began, there have been aggressive efforts by HCFA, Durable Medical Equipment Regional Carriers (DMERCs), and the OIG to prevent questionable allowances for incontinence supplies. For example, both DMERCs and the OIG have issued fraud alerts concerning inappropriate billings for incontinence supplies. In October 1994, the DMERCs issued a draft policy clarifying coverage and frequency parameters for incontinence supplies. The final version was issued in October 1995.

FINDINGS

Abusive billings for incontinence supplies have all but disappeared.

Questionable billings for supplies have declined by over 75 percent since 1994. Medicare allowances for supplies related to questionable billings decreased from $111 million in 1994 to only $26 million in 1995.

Allowances for supplies billed without prosthetic devices totaled $80 million in 1994. In 1995, this type of questionable billing for supplies dropped to less than $22 million,

a decrease of 73 percent. In the last quarter of 1995, following the DMERCs' implementation of their new guidelines, such billings dropped to $1.7 million.

In 1994, billings for excessive female external urinary collection devices (EUCDs) reached a high of $31 million. In 1995, this figure dropped to $3.8 million, a decrease of 88 percent. In the last quarter of 1995, no such billings occurred.

Total Medicare allowances for incontinence supplies have declined for the first time since 1991. Allowances decreased by over 40 percent from $260 million in 1994 to $150 million in 1995.

Approximately $49 million has been recovered through seizures and restitutions from abusive incontinence suppliers.

As part of an initiative to investigate fraud in incontinence billing, the Office of Investigations, along with other law enforcement agencies, has developed eight cases against incontinence suppliers and has recovered approximately $49 million.

CONCLUSION

Concerted efforts by HCFA, OIG, and other law enforcement agencies, in the form of changes in payment and coverage policy, fraud alerts, reports, and prosecutions, have contributed to the declines in Medicare allowances documented in this report. The new policy has made billing for questionable supplies more difficult. The fraud alerts and reports concerning incontinence supplies have made DMERCs and others concerned with claims processing aware of questionable billing practices. Along with published documents, prosecutions of and payment of restitutions by incontinence suppliers has sent a message that fraudulent billing for incontinence supplies will not be tolerated.

Based on our analysis, we estimate that declines in questionable billings saved the Medicare program $85 million in 1995. Assuming questionable billing levels will remain at the 1995 fourth quarter level ($1.7 million), total questionable allowances in 1996 will be approximately $6.8 million, resulting in savings of $104 million over 1994 levels. If this trend continues, we estimate that Medicare will save $542 million between 1996 and 2000.

We will refer information on suppliers who continue to submit questionable claims for supplies without prosthetic devices to the appropriate agencies. Continued vigilance in this area will make questionable allowances for incontinence supplies even lower in the future.

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CONCLUSION

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Based on our analysis, we estimate that declines in questionable billings saved the Medicare program $85 million in 1995. Assuming questionable billing levels will remain at the 1995 fourth quarter level ($1.7 million), total questionable allowances in 1996 will be approximately $6.8 million, resulting in savings of $104 million over 1994 levels. If this trend continues, we estimate that Medicare will save $542 million between 1996 and 2000.

We will refer information on suppliers who continue to submit questionable claims for supplies without prosthetic devices to the appropriate investigative agencies. Continued vigilance in this area will make questionable allowances for incontinence supplies even lower in the future.

TABLE OF CONTENTS

PAGE

EXECUTIVE SUMMARY

INTRODUCTION 1

FINDINGS 5

- Declines in Questionable Billings 5
- OIG Prosecutions and Recoveries 6

CONCLUSION 7

APPENDIX A

A: Allowed Amounts and Confidence Intervals A-1

INTRODUCTION

PURPOSE

This report identifies trends in questionable billing practices for incontinence supplies under Medicare Part B in 1995.

BACKGROUND

Medicare Coverage of Incontinence Supplies

Incontinence is the inability of the body to control urinary and bowel functions. Reimbursement for incontinence supplies is included as part of Medicare's coverage for prosthetic devices. According to Medicare Carriers Manual section 2130, "prosthetic devices (other than dental) which replace all or part of an internal body organ (including contiguous tissue), or replace all or part of the function of a permanently inoperative or malfunctioning internal body organ are covered when furnished on a physician's order."

Under the Medicare Part B program, the Health Care Financing Administration (HCFA) will reimburse suppliers that provide incontinence supplies to aid individuals whose incontinence condition "...is of long and indefinite duration." Certain items, such as absorbent undergarments or diapers, are specifically excluded from coverage.

Incontinence supplies include prosthetic devices such as catheters and external urinary collection devices such as pouches or cups. Catheters are flexible, tubular instruments used to control urinary flow. The HCFA will also reimburse accessories that aid in the effective and therapeutic use of these devices. These accessories include items such as drainage bags, irrigation syringes, and lubricants. However, accessories are not covered in the absence of a prosthetic device.

Between 1991 and 1994, Medicare allowances for incontinence supplies rose sharply from $108 million to $260 million. In 1993, nearly one-half ($107 million) of the total allowances for incontinence supplies was related to questionable billings. These billings represented claims for supplies billed without prosthetic devices and excessive utilization of certain prosthetic devices.

Carrier Processing of Incontinence Supply Claims

Beginning in October 1993, four Durable Medical Equipment Regional Carriers (DMERCs) have been responsible for processing claims for durable medical equipment, prosthetics, orthotics, and supplies. To ensure consistency in medical review policies, all DMERCs issue identical coverage and reimbursement policies that implement Medicare guidelines. The DMERCs issued a single national policy for

urological supplies in October 1995. This policy redefines and clarifies some of the definitions used in claims for incontinence and urological supplies. The policy stresses the non-coverage of diapers and similar absorptive pads. The policy also reinforces the condition of "permanence" for coverage purposes and stresses that accessories not used in conjunction with covered catheters or external urinary collection devices are not covered. The policy also highlights frequency parameters for certain items. Supplies such as skin barriers are not considered necessary for the effective use of a prosthetic device and are not covered. The data presented in this report reflect trends in 1995 incontinence allowances in the three quarters before and in one quarter after this policy was implemented.

Fraud Alerts

A Medicare Fraud Alert issued by the Office of Inspector General (OIG) in December 1994 described a scheme to market a new disposable drainage bag which needs to be changed daily and bill under the code for a standard drainage bag which is changed 2 to 4 times per month or under the code for a drainage bottle which is changed once every 6 months. The alert pointed out that daily reimbursement under the drainage bottle code would result in allowances of nearly $4,000 over 6 months.

One DMERC issued a Medicare Fraud Alert in August 1995 describing how suppliers were billing for female external urinary collection devices but providing beneficiaries with adult diapers which are not covered under Medicare. The alert also points out that none of the beneficiaries had permanent incontinence, a requirement for Medicare coverage of incontinence care.

Prior Office of Inspector General Work

The 1994 report *Questionable Medicare Payments for Incontinence Supplies (OEI-03-94-00772)* identified over $100 million in questionable allowances in 1993 and is one of a series of reports concerning Medicare payments for incontinence supplies. *Marketing of Incontinence Supplies (OEI-03-94-00770)* described supplier and nursing home practices that can lead to questionable allowances and examined issues concerning Medicare beneficiaries' use of incontinence supplies. *Medicaid Payments for Incontinence Supplies (OEI-03-94-00771)* examined how the Medicaid program processes claims for incontinence supplies in 14 States.

In addition, the OIG had undertaken a nationwide investigation of companies abusing Medicare's incontinence benefit. Since these studies and investigations were initiated, there have been efforts by DMERCs and the OIG to prevent questionable allowances for incontinence supplies. For example, both DMERCs and the OIG have issued fraud alerts concerning inappropriate billing for incontinence supplies. In October 1995, the DMERCs implemented a new policy clarifying coverage and frequency limitations for incontinence supplies. Considering the level of activity concerning incontinence supplies occurring in 1995 and given that this was the most recent year

for which complete data was available, the OIG determined that this was the most appropriate time frame for a follow-up to its 1994 report.

METHODOLOGY

To determine trends in allowances[1] for incontinence supplies, we selected a 1 percent sample of claims for 51 incontinence codes from HCFA's National Claims History file for calendar year 1995. We compared this data with the 1993 data obtained for our 1994 report *Questionable Payments for Incontinence Supplies* and with 1994 data. Our data includes the eight incontinence codes added after our 1994 report was issued.

Earlier OIG work identified two types of questionable billing: 1) supplies being billed without prosthetic devices, and 2) female external urinary collection devices billed in excess of one per day. To determine the nature and extent of questionable billing practices, we applied October 1995 DMERC guidelines to the services billed in 1995.

To identify trends in supplies billed without prosthetic devices in 1995, we categorized 68 codes as either supplies or prosthetic devices. Because 11 of the 26 incontinence supply codes could also be used in ostomy care, we added 17 ostomy prosthetic device codes to our original 51 codes. This prevented ostomy supplies billed with ostomy prosthetic devices from erroneously appearing in our totals for supplies billed without devices. We identified supplies billed without devices in a 1 percent sample of HCFA's National Claims History File. We compared our 1995 data with data obtained through a similar process for 1994 and 1993 claims.

We did not include services billed under code A4323, "sterile saline solution," when they were not billed in conjunction with incontinence supplies. According to DMERC officials, code A4323 may be used in conjunction with non-incontinence supplies such as enteral nutrition products.

To determine trends in the over-utilization of female external urinary collection devices in 1995, we identified all claims for these devices in excess of one per day in a 1 percent sample of HCFA's National Claims History file. Again, our 1995 data was compared with allowances for excess female urinary collection devices in 1994 and 1993.

We arrayed the data by procedure code, carrier, supplier, and quarter billed. Although the guidelines were implemented after the dates of most of the billings examined in our study, they provide a useful standard to identify vulnerabilities in the earlier billings which may still be present.

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[1] Allowed payments include both the 80 percent Medicare payment and the 20 percent coinsurance paid by the beneficiary.

We projected our estimates to the universe of incontinence claims by multiplying sample results by 100. Confidence intervals are presented in Appendix A.

This report continues our earlier work concerning Medicare allowances for incontinence supplies.

This inspection was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

FINDINGS

ABUSIVE BILLINGS FOR INCONTINENCE SUPPLIES HAVE ALL BUT DISAPPEARED.

Total Medicare allowances for incontinence supplies have declined for the first time since 1991. Allowances decreased by over 40 percent from $260 million in 1994 to $150 million in 1995. Questionable billing for supplies has declined by over three quarters since 1994. Medicare allowed nearly $26 million in 1995 for supplies related to the two types of questionable billing we examined, a drop of 77 percent from $111 million in 1994. Allowances for supplies billed without prosthetic devices were $80 million in 1994. In 1995, this type of questionable billing for supplies dropped to $22 million, a decrease of 73 percent. In 1994, billing for excessive EUCDs reached a high of $31 million. In 1995 this figure dropped to $3.8 million, a decrease of 88 percent.

Allowances for accessories billed without prosthetic devices declined significantly.

In order for Medicare to pay for incontinence accessories, the beneficiary must have a prosthetic device such as a catheter or a urinary collection device. Allowances for accessories without prosthetic devices have declined considerably. The $22 million in questionable billings for supplies represents only 15 percent of the total $150 million allowed for incontinence supplies in 1995. In 1994, questionable billings made up 43 percent of allowances for incontinence supplies.

Two DMERCs accounted for over two-thirds of the allowances for incontinence supplies billed without prosthetic devices. This represents over $14 million of the $22 million in questionable billings in all of 1995.

Nearly 70 percent of all allowances for supplies without prosthetic devices were made to just 10 suppliers. These suppliers represent less than 3 percent of all suppliers with questionable billings in 1995.

In 1995, nearly 92 percent of the $22 million in allowances ($20 million) were made prior to the implementation of HCFA's new policy on October 1, 1995. This policy clearly delineated that Medicare would not reimburse claims for incontinence supplies billed without prosthetic devices. After the policy was implemented, allowances dropped from $12 million in the first quarter of 1995 to $1.7 million in the fourth quarter, a decline of 85 percent. This indicates savings to Medicare of $58 million from 1994 allowances for supplies without devices.

Two DMERCs accounted for three-quarters of the allowances for incontinence supplies billed without prosthetic devices in the fourth quarter of 1995. This represents over $1.3 million of the $1.7 million in questionable billings in the fourth quarter. More than half of all allowances for supplies without prosthetic devices in

the fourth quarter of 1995 were made to just three suppliers. These suppliers represent less than 3 percent of all suppliers with questionable billings in the fourth quarter.

Billings for excessive EUCDs have been eliminated.

According to DMERC guidelines, female EUCDs may not be billed in excess of one per day. We identified $3.8 million in 1995 allowances for female EUCDs in excess of one per day. This represents 78 percent of the total allowed for EUCDs. However, after HCFA implemented its new policy in the fourth quarter of 1995, there were no allowances for EUCDs in excess of one per day. This means that the problem has, for all practical purposes been eliminated, saving Medicare over $27 million from 1994 levels.

One DMERC processed nearly half the claims for EUCDs in excess of one per day in 1995. This DMERC was responsible for $1.6 million of the total $3.8 allowed for excessive EUCDs.

Fifty-seven percent of all allowances for excessive EUCDs were made to just three suppliers. All of the allowances for excessive EUCDs made to these suppliers were made by one DMERC.

APPROXIMATELY $49 MILLION HAS BEEN RECOVERED THROUGH SEIZURES AND RESTITUTIONS FROM ABUSIVE INCONTINENCE SUPPLIERS.

As part of OIG efforts to reduce questionable allowances for incontinence and prosecute suppliers involved in such billings, the Office of Investigations (OI) launched a national investigation known as Incontinent Care Case Project. Under this initiative, OI, along with other law enforcement agencies, has developed eight cases against incontinence suppliers. These cases involved approximately $61 million in fraudulent Medicare claims. The OI has recovered approximately $49 million through seizures and restitutions. In most of the cases, suppliers were billing for female external urinary collection devices but providing beneficiaries with diapers, which are not covered under Medicare.

Thus far, these 8 cases have resulted in 12 prosecutions. In one case, five fraudulent suppliers were prosecuted and sentenced for schemes involving submitting claims to carriers with the highest reimbursement and billing for items not supplied. A second case resulted in the prosecution of a supplier for the same kind of schemes. In another case, five people pled guilty to Medicare fraud. In one case, a supplier was sentenced to 5 years in prison for money laundering, witness tampering, mail fraud, and interstate transportation of property obtained by fraud. As a result of one case a supplier has been arrested. Other cases involved searches and seizures of property.

CONCLUSION

Concerted efforts by HCFA, OIG, and other law enforcement agencies, in the form of changes in payment and coverage policy, fraud alerts, reports, and prosecutions, have contributed to the declines in Medicare allowances documented in this report. The new policy has made billing for questionable supplies more difficult. The fraud alerts and reports concerning incontinence supplies have made DMERCs and others concerned with claims processing aware of questionable billing practices. Along with published documents, prosecutions of and payment of restitutions by incontinence suppliers has sent a message that fraudulent billing for incontinence supplies will not be tolerated.

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