



JUN 24 2003

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

Report Number : A-01-02-00526

Mr. William Foley
Vice President
Empire Medicare Services
2651 Strang Boulevard
Yorktown Heights, NY 10598

Dear Mr. Foley:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS) Office of Inspector General, Office of Audit Services' report entitled "*Review of Potentially Excessive Medicare Payments - Empire Medicare Services*" for the period reviewed May 2002 through March 2003. A copy of this report will be forwarded to the action official noted below for his/her review and any action deemed necessary.

Final Determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response would present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), OIG, OAS reports issued to the department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the department chooses to exercise. (See 45 CFR Part 5.)

If you have any questions, please contact Ms. Lori Pilcher, Audit Manager, at (617) 565-2685. To facilitate identification, please refer to Report Number A-01-02-00526 in all correspondence relating to this report.

Sincerely,


Michael J. Armstrong
Regional Inspector General
For Audit Services

Enclosures - as stated

Direct reply to CMS Action Official:

Mr. Gilbert Kunken
Acting Regional Administrator
Centers for Medicare and Medicaid Services
U.S. Department of Health and Human Services
26 Federal Plaza
Rm. 3811
New York, New York 10278

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF POTENTIALLY
EXCESSIVE MEDICARE PAYMENTS -
EMPIRE MEDICARE SERVICES**



**JUNE 2003
A-01-02-00526**



Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

June 24, 2003

CIN: A-01-02-00526

Mr. William Foley
Vice President
Empire Medicare Services
2651 Strang Boulevard
Yorktown Heights, NY 10598

Dear Mr. Foley:

The purpose of this letter is to report the results of our review of potentially excessive Medicare payments made to institutional providers for inpatient and outpatient services during Calendar Years (CY) 2000 and 2001. Our review at Empire Medicare Services (Empire) is part of a nationwide effort being performed at selected Medicare Fiscal Intermediaries (FI).

BACKGROUND

We initially brought the issue of excessive payments to the attention of the Centers for Medicare and Medicaid Services (CMS) in our report entitled *Review of Potentially Excessive Medicare Payments for Outpatient Services (A-01-00-00502)*, dated May 16, 2001. We reported that simple clerical billing errors on 13 outpatient claims generated \$12 million in excessive Medicare payments to institutional providers. Our current review is a follow up on the prior issues we identified. Empire is one of four fiscal intermediaries we have selected for the follow up review.

LAWS AND REGULATIONS

Title XVIII of the Social Security Amendments of 1965, the Medicare legislation, established a health insurance program for aged persons. Under sections 1816(a) and 1842(a) of the Social Security Act, public or private organizations and agencies may participate in the administration of the Medicare program. The FIs' responsibilities include determining costs and reimbursement amounts, maintaining records, establishing controls, safeguarding against fraud and abuse, conducting reviews and audits, and making payments to providers for services rendered. Intermediary Manual section 3700 states:

"It is essential that you [the FI] maintain adequate internal controls over Title XVIII automatic data processing systems to preclude increased program costs and erroneous and/or delayed payments."

The FIs currently use two standard systems to process outpatient claims – the Fiscal Intermediary Standard System and the Arkansas Part A Standard System. In addition, the Common Working File (CWF) can detect improper payments when processing claims for pre-payment validation.

Claims for outpatient services originate at the provider. Hospital Manual section 462 states:

“In order to be paid correctly and promptly, a bill must be completed accurately.”

OBJECTIVES, SCOPE AND METHODOLOGY

Our review was made in accordance with generally accepted government auditing standards. The objective of our review is to identify potentially excessive Medicare payments made to institutional providers for outpatient and Part B services during Calendar Years (CY) 2000 and 2001.

To accomplish our objective, we:

- reviewed applicable Medicare laws and regulations;
- utilized CMS’ National Claims History file to develop frequency distributions of claim paid amounts for outpatient and inpatient items reimbursed under Medicare Part B paid during CYs 2000 and 2001;
- used the above frequency distributions to identify outpatient claims that had Medicare claim paid amounts equaling or exceeding \$50,000;
- reviewed available CWF on-line claim histories for these claims to determine if the claims had been canceled and superseded with revised claims; and
- contacted Empire Medicare Services personnel to advise them about our review and its objective, and discuss and obtain information for 136 selected claims (inpatient and outpatient). We requested information about outpatient and Part B claims with questionable line item charge amounts.

On October 31, 2002, Empire responded to our requests for information. We conducted our review at the Regional Office of Inspector General, Office of Audit Services in Boston, Massachusetts from May 2002 through March 2003. We issued a draft report to Empire Medicare Services on April 16, 2003. On May 19, 2003, Empire Medicare Services provided us with their response and additional information for one claim (See Appendix). We analyzed this information and we revised our report accordingly.

FINDINGS AND RECOMMENDATIONS

Claims for outpatient services originate at the provider. Hospital Manual section 462 states: *"In order to be paid correctly and promptly, a bill must be completed accurately."*

Based on a computer application, we identified outpatient claims and those inpatient claims reimbursed under Medicare Part B that had paid amounts equaling or exceeding \$50,000. Further analysis identified isolated instances when the number of service units or amounts billed appeared to be excessive or unsupported. Specifically, we noted that:

- one provider billed \$65,510 in radiology services for one beneficiary in one day; and
- one provider billed about \$56,000 for blood storage and processing for the same beneficiary in two separate occasions, or \$114,000.

Although some charges may be valid, the hospitals in question have not produced billing records to the FI to support the above charges. As a result, Empire initiated recovery action for three claims totaling \$179,510.

RECOMMENDATIONS

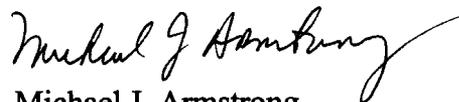
We are recommending that Empire follow up with providers to ensure that the three claims in question can be adequately supported.

AUDITEE COMMENTS AND OIG RESPONSE

Empire acknowledged that three out of the four claims in question did not have sufficient documentation. The records for the fourth claim were further reviewed and it was determined by Empire that the services were found to be appropriate. As a result, we revised our report in which \$179,510 for three of the claims cannot be supported.

To facilitate identification, please refer to Report Number A-01-02-00526 in all correspondence relating to this report.

Sincerely yours,



Michael J. Armstrong
Regional Inspector General
for Audit Services

cc: Mr. Lloyd Kasow, Medicare Coordinator
Empire Medicare Services

APPENDIX

William E. Foley
Vice President
Empire Medicare Services
2651 Strang Boulevard
Yorktown Heights, NY 10598

Telephone: 914/248-2852
Facsimile: 914/248-2948
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May 12, 2003

Mr. Michael J. Armstrong
Regional Inspector General for Audit Services
Office of Audit Services Region I
John F. Kennedy Federal Building
Boston, Massachusetts, 02203

Re: CIN A-01-02-00526

Dear Mr. Armstrong:

Thank you for the opportunity to comment on the draft report "Review of Potentially Excessive Medicare Payments – Empire Medicare Services."

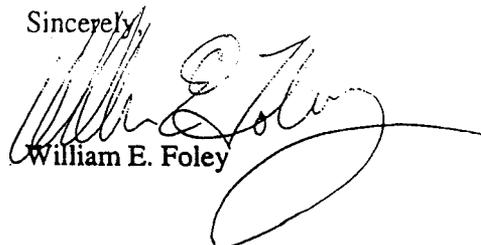
On September 16, 2002, we received a report containing 136 claims. We reviewed all to determine if any system issues existed and if any were billed with potentially excessive units. Six questionable claims were referred to our Benefit Integrity Unit on October 31, 2002. On that same day we reported that action to the OIG Boston office.

On January 14, 2003, a letter was sent to Ms. Tammy Levesque at the Boston office reporting on the status of those six claims. Records were requested and returned for two of the claims, and we determined them to be appropriate for the services billed. Insufficient documentation was returned for one of the claims and, for three claims no documentation was returned. These four claims were adjusted to non-covered per our normal Benefit Integrity procedures. Payments were recouped from the providers.

Since that time one of these claims was appealed. Records for the claim were reviewed and services were found to be appropriate. When review of medical records determines that services were provided and that these services encompassed appropriate medical care, the fiscal intermediary pays the claim.

We feel that at this time all appropriate action has been taken.

Sincerely,



William E. Foley