

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**MEDICARE PAYMENTS TO  
NEW YORK REHABILITATIVE  
SERVICES, LLC, FOR  
LOWER LIMB PROSTHETIC SERVICES  
GENERALLY COMPLIED WITH CERTAIN  
FEDERAL REQUIREMENTS**

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# *Office of Inspector General*

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## **INTRODUCTION**

### **BACKGROUND**

#### **Medicare Program**

The Medicare program, established under Title XVIII of the Social Security Act (the Act) in 1965, provides health insurance to people age 65 and over, people with disabilities, and people with end-stage renal disease. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program.

#### **Durable Medical Equipment, Prosthetics, Orthotics, and Supplies**

Pursuant to sections 1832(a)(1) and 1861(n) of the Act, Medicare Part B provides for the coverage of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS). Prosthetic devices replace all or part of a body organ. Lower limb prosthetics include foot, ankle, or shin replacements, and associated parts and supplies (e.g., socks and shoe inserts).

Pursuant to section 1834(a)(11)(B) of the Act, payment for certain DME supplies may be made only if a physician has communicated to the supplier, before delivery of the item, a written order for the item. In addition, pursuant to 42 CFR § 424.57(c)(12), payment for DME supplies may be made only if the supplier maintains proof of delivery of the items to the beneficiary. The regulations also require that the supplier document that it provided the beneficiary with necessary information and instructions on how to use the items safely and effectively.

#### **National Heritage Insurance Company**

CMS contracts with durable medical equipment Medicare administrative contractors (DME MAC) to process and pay Medicare Part B claims for DMEPOS. The DME MAC that covers New York State is National Heritage Insurance Company. Under Medicare Part B, the DME MAC reimburses DMEPOS suppliers for prosthetic services based on a fee schedule.

#### **New York Rehabilitative Services, LLC**

New York Rehabilitative Services, LLC (New York Rehabilitative) is a DMEPOS supplier located in Lawrence, New York. For calendar years (CY) 2009 and 2010, New York Rehabilitative received Medicare reimbursement totaling \$1,446,784 for 1,631 lower limb prosthetic services.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

#### **Objective**

Our objective was to determine whether Medicare payments to New York Rehabilitative for lower limb prosthetic services complied with certain Federal requirements.

## Scope

Our review covered 1,631 claims, totaling \$1,446,784, for which New York Rehabilitative received Medicare reimbursement for services during CYs 2009 and 2010.

We did not assess the overall internal control structure of New York Rehabilitative. Rather, we limited our review of internal controls to those applicable to the objective of our audit. In addition, the scope of our audit did not require us to perform a medical review or an evaluation of the medical necessity of lower limb prosthetic services claimed for reimbursement.

We performed our fieldwork at New York Rehabilitative's offices in Lawrence, New York and at various physicians' offices and beneficiary residences throughout New York City and Long Island from January 2012 through March 2012.

## Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws and regulations;
- interviewed National Heritage Insurance Company officials to gain an understanding of the DME MAC's procedures for preventing inappropriate payments for lower limb prosthetic services;
- interviewed New York Rehabilitative officials to gain an understanding of their policies and procedures for claiming Medicare reimbursement for lower limb prosthetic services;
- obtained from CMS's National Claims History File a sampling frame of 1,631 claims for lower limb prosthetics services, totaling \$1,446,784, for which New York Rehabilitative received reimbursement for services during CYs 2009 and 2010;
- selected a judgmental sample of 100 claims (associated with 46 beneficiaries and 43 referring physicians) from the sampling frame of 1,631 claims and, for each claim:
  - reviewed New York Rehabilitative's files to determine if a physician had communicated to New York Rehabilitative, before delivery of the item(s), a written order for the item(s);
  - reviewed New York Rehabilitative's documentation of proof of delivery of the item(s);
- interviewed referring physicians associated with selected sampled claims to verify that the physician provided a written order for the item(s) to New York Rehabilitative; and
- interviewed beneficiaries associated with selected sampled claims to determine whether the beneficiary received the item(s) claimed.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

### **RESULTS OF REVIEW**

For the 100 claims for lower limb prosthetic services in our sample, Medicare payments to New York Rehabilitative generally complied with certain Federal requirements. Specifically, Medicare payments to New York Rehabilitative for 98 sampled claims for lower limb prosthetic services complied with certain Federal requirements. However, New York Rehabilitative improperly claimed Medicare reimbursement for the remaining two sampled claims—both of which were for specialized gel limb liners—totaling \$1,929 due to clerical error. New York Rehabilitative refunded this amount to the DME MAC after the beginning of our fieldwork. As a result, this report contains no recommendations.