



Office of Audit Services, Region III  
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Philadelphia, PA 19106-3499

May 18, 2011

Report Number: A-03-10-00203

Mr. Wayne Turnage  
Director  
District of Columbia Department of Health Care Finance  
899 North Capitol Street, Suite 600  
Washington, DC 20001

Dear Mr. Turnage:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of District of Columbia Medicaid Durable Medical Equipment, Prosthetics, Orthotics, and Supplies Provider Enrollment Practices*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Robert Baiocco, Audit Manager, at (215) 861-4486 or through email at [Robert.Baiocco@oig.hhs.gov](mailto:Robert.Baiocco@oig.hhs.gov). Please refer to report number A-03-10-00203 in all correspondence.

Sincerely,

/Stephen Virbitsky/  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Jackie Garner  
Consortium Administrator  
Consortium for Medicaid and Children's Health Operations  
Centers for Medicare & Medicaid Services  
233 North Michigan Avenue, Suite 600  
Chicago, IL 60601

Department of Health & Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF DISTRICT OF COLUMBIA  
MEDICAID DURABLE MEDICAL  
EQUIPMENT, PROSTHETICS, ORTHOTICS,  
AND SUPPLIES PROVIDER ENROLLMENT  
PRACTICES**



Daniel R. Levinson  
Inspector General

May 2011  
A-03-10-00203

# ***Office of Inspector General***

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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.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the Medicaid program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In the District of Columbia (the District), the Department of Health Care Finance (State agency) administers the Medicaid program.

#### **District of Columbia Medicaid Durable Medical Equipment Program**

Pursuant to its Medicaid State plan, the District provides durable medical equipment and prosthetics, orthotics and supplies (DMEPOS) for eligible beneficiaries through its Durable Medical Equipment (DME) program. The DME program reimburses DMEPOS providers that sell or rent to beneficiaries DMEPOS, including hospital beds, braces, home dialysis supplies and equipment, therapeutic shoes for diabetics, wheelchairs, walkers, scooters, oxygen equipment, and other home health care items. During the period January 1, 2007, through June 30, 2010, the District's DME program reimbursed providers approximately \$50 million. To receive and maintain a District Medicaid provider billing number, providers must meet the standards established in Title 29 of the District of Columbia Municipal Regulations (DCMR). Pursuant to 29 DCMR § 996.2(k), providers in the District's DME program must be enrolled in the Medicare program. District regulations provide grounds for administrative sanctions against Medicaid DMEPOS providers that fail to comply with pertinent District laws and regulations. The sanctions may include termination of the providers for the DME program (29 DCMR § 1302.1(c)). As of March 2010 the District had 195 active DMEPOS providers enrolled in its Medicaid program.

#### **Medicare Program**

Pursuant to Title XVIII of the Act, the Medicare program provides health insurance to people age 65 and over and to those suffering from permanent kidney failure and to certain people with disabilities. CMS administers the Medicare program and contracts with four Medicare Administrative Contractors to process DMEPOS claims. CMS also contracts with the National Supplier Clearinghouse (Clearinghouse), operated by Palmetto Government Benefits Administrators, to manage the enrollment of DMEPOS providers in the Medicare program. (Medicare refers to its providers as "suppliers.") The Clearinghouse is responsible for enrolling providers in Medicare, issuing DMEPOS provider numbers nationwide, and ensuring that providers comply with federally mandated provider standards. To bill the Medicare program, Medicare DMEPOS providers must have a supplier number. With CMS's approval, the Clearinghouse can revoke a DMEPOS provider's Medicare supplier number for failure to comply with 1 or more of the 30 federally-mandated provider standards.

## **OBJECTIVE**

Our objective was to determine whether the State agency complied with District requirements when DMEPOS providers' Medicare supplier numbers had been revoked.

## **SUMMARY OF FINDINGS**

The State agency did not comply with District requirements when DMEPOS providers Medicare supplier numbers had been revoked. In May 2010, we identified 10 District Medicaid DMEPOS providers whose Medicare supplier numbers were in revoked status. The Clearinghouse had revoked the Medicare supplier numbers of these 10 for violating one or more of the Medicare supplier enrollment standards. All 10 remained active in the District's Medicaid program because the State agency had no control in place to check the Medicare status of DMEPOS providers. After we informed the State agency that the providers were revoked by Medicare, the State agency took action to terminate the 10 providers from its Medicaid DME program.

## **RECOMMENDATIONS**

We recommend that the State agency implement a procedure to check the status of DMEPOS providers' Medicare supplier numbers and to take the appropriate action in accordance with District regulations when CMS has revoked a Medicare supplier's number.

## **STATE AGENCY COMMENTS**

In written comments to our draft report, the State agency concurred with our recommendation and said that it would implement a procedure to check the status of providers' Medicare supplier numbers and take appropriate action when the supplier number has been revoked. The State agency clarified our finding to note that the Clearinghouse had rescinded the Medicare termination of 1 of the 10 providers identified by the Office of Inspector General.

The State agency's comments are presented in their entirety in the Appendix.

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# INTRODUCTION

## BACKGROUND

### Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the Medicaid program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. In the District of Columbia (the District), the Department of Health Care Finance (State agency) administers the Medicaid program.

### Medicare Program

Pursuant to Title XVIII of the Act, the Medicare program provides health insurance to people age 65 and over and to those suffering from permanent kidney failure and to certain people with disabilities. CMS administers the Medicare program and contracts with four Medicare Administrative Contractors (MAC) that process claims for durable medical equipment and prosthetics, orthotics and supplies (DMEPOS). The MAC for the District is National Heritage Insurance Company.

Medicare reimburses providers<sup>1</sup> that sell or rent DMEPOS that are necessary to meet beneficiaries' health care requirements at home. DMEPOS include hospital beds, braces, home dialysis supplies and equipment, therapeutic shoes for diabetics, wheelchairs, walkers, scooters, oxygen equipment, and other items.

### National Supplier Clearinghouse

CMS contracts with the National Supplier Clearinghouse (Clearinghouse), which is operated by Palmetto Government Benefits Administrators, to manage the enrollment of providers in the Medicare program. A provider of DMEPOS may be an entity or individual. The Clearinghouse is responsible for enrolling providers, issuing Medicare supplier numbers nationwide, and ensuring that providers comply with federally mandated provider standards. To bill the Medicare program, DMEPOS providers must have a Medicare supplier number. With CMS's approval, the Clearinghouse can revoke a DMEPOS provider's Medicare supplier number for failure to comply with 1 or more of the 30 federally-mandated provider standards.<sup>2</sup>

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<sup>1</sup> The Medicare program uses the term "DMEPOS suppliers." The District Medicaid program uses the term "DMEPOS providers." We have generally used the term "DMEPOS provider" for both Medicare and Medicaid, except when referring to specific Medicare requirements such as the Medicare supplier number.

<sup>2</sup> Federal regulations (42 CFR § 424.57(c)) establish the Medicare standards.

## **District of Columbia Medicaid Durable Medical Equipment Program**

Pursuant to its Medicaid State plan, the State agency provides DMEPOS consistent with the Medicare schedule for eligible beneficiaries through its Durable Medical Equipment (DME) program. The DME program reimburses providers that sell or rent DMEPOS to beneficiaries. To receive and maintain a District Medicaid provider billing number, providers must meet the standards established in Title 29 of the District of Columbia Municipal Regulations (DCMR). As of March 2010 the District had 195 active DMEPOS providers enrolled in its Medicaid program.

Pursuant to 29 DCMR § 996.2(k), providers in the District's DME program must be enrolled in the Medicare program. District regulations provide grounds for administrative sanctions against Medicaid DMEPOS providers that fail to comply with pertinent District laws and regulations. The sanctions may include termination of the providers for the DME program (29 DCMR § 1302.1(c)).

During the period January 1, 2007, through June 30, 2010, the State agency reimbursed DMEPOS providers approximately \$50 million.

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

#### **Objective**

Our objective was to determine whether the State agency complied with District requirements when DMEPOS providers' Medicare supplier numbers had been revoked.

#### **Scope**

We reviewed State agency records in March 2010 that identified 195 providers as participating in the District's DME program. The Clearinghouse provided the current status of each provider's Medicare supplier number. We did not review the overall internal control structure of the State agency. We limited our review to those controls related to the State agency's methodology for reviewing Medicaid DMEPOS providers for compliance with District standards. We conducted our review at the State agency offices in Washington, DC, in March 2010.

#### **Methodology**

To accomplish our objective, we:

- reviewed Federal Medicare and Medicaid regulations, District Medicaid laws and regulations pertaining to DMEPOS provider participation in the Medicare and Medicaid programs;
- reviewed the portion of the District's State plan related to DMEPOS;

- interviewed State agency officials to determine their policies and procedures for provider participation in the District's DME program;
- interviewed Clearinghouse officials to determine their policies and procedures for DMEPOS provider participation in the Medicare program;
- obtained the Medicare provider enrollment status provided by the Clearinghouse for the 195 District DMEPOS providers;
- compared the Medicare and Medicaid provider enrollment status for the 195 District DMEPOS providers; and
- discussed our findings with State agency officials.

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 finding and conclusions based on our audit objective.

### **FINDINGS AND RECOMMENDATIONS**

The State agency did not comply with District requirements when DMEPOS providers' Medicare supplier numbers had been revoked. In May 2010, we identified 10 District Medicaid DMEPOS providers whose Medicare supplier numbers were in revoked status. The Clearinghouse had revoked the Medicare supplier numbers of these 10 for violating one or more of the Medicare supplier enrollment standards. All 10 remained active in the District's Medicaid program because the State agency had no controls in place to check the Medicare status of DMEPOS providers. After we informed the State agency that the providers were revoked by Medicare, the State agency took action to terminate the 10 providers from its Medicaid DME program.

### **DISTRICT REGULATIONS**

To receive and maintain a District Medicaid provider billing number, providers must meet the standards established in Title 29 of DCMR. Pursuant to 29 DCMR § 996.2(k), providers in the District's DME program must be enrolled in the Medicare program. Providers in the District's DME program are also subject to the District's administrative regulations, which provide grounds for administrative sanctions against Medicaid DMEPOS providers for failure to comply with pertinent District laws and regulations. Sanctions may include termination of the providers for the DMEPOS program (29 DCMR § 1302.1(c))

## **REVOKED DURABLE MEDICAL EQUIPMENT PROVIDERS**

We identified 10 DMEPOS providers whose Medicare supplier numbers were revoked; however, all 10 remained active District Medicaid DMEPOS providers. The State agency did not have a procedure in place to check the current Medicare status of DMEPOS providers and therefore did not know that 10 of its DMEPOS providers were in revoked status in the Medicare program for failure to comply with Federal standards.

### **ACTION TAKEN**

In June 2010, we brought the 10 DMEPOS providers to the attention of the State agency, which began action to terminate them from the District's Medicaid program. Subsequently, we coordinated with the Clearinghouse and the State agency to ensure that the State agency received a monthly list of DMEPOS providers that had been revoked in the Medicare program. However, at the time of this review, the State agency had not established written procedures to ensure that officials review the list and promptly terminate District DMEPOS providers who have been revoked in the Medicare program due to standards violations.

### **RECOMMENDATIONS**

We recommend that the State agency implement a procedure to check the status of DMEPOS providers' Medicare supplier numbers and to take the appropriate action in accordance with District regulations when CMS has revoked a Medicare supplier's number.

### **STATE AGENCY COMMENTS**

In written comments to our draft report, the State agency concurred with our recommendation and said that it would implement a procedure to check the status of providers' Medicare supplier numbers and take appropriate action when the supplier number has been revoked. The State agency clarified our finding to note that the Clearinghouse had rescinded the Medicare termination of 1 of the 10 providers identified by the Office of Inspector General.

The State agency's comments are presented in their entirety in the Appendix.

# **APPENDIX**

APPENDIX: STATE AGENCY COMMENTS

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Department of Health Care Finance



Office of the Director

APR 29 2011



Stephen Virbitsky  
Regional Inspector General for Audit Services  
U.S. Department of Health and Human Services  
Public Ledger Building, Suite 316  
150 S. Independence Mall West  
Philadelphia, PA 19106-3499

Re: Report Number: A-03-10-00203

Dear Mr. Virbitsky:

This letter responds to the U.S. Department of Health and Human Services, Office of Inspector General (OIG) draft report entitled **Review of District of Columbia Medicaid Durable Medical Equipment, Prosthetics, Orthotics, and Supplies Provider Enrollment Practices**. The Department of Health Care Finance (DHCF) appreciates the opportunity to respond to this draft report, and apologizes for the delayed response.

The audit found 10 District Medicaid DMEPOS providers whose Medicare supplier numbers were in revoked status and therefore should have had their Medicaid Provider status terminated. However, all 10 remained in the District's Medicaid program because the State agency had no control in place to check the Medicare status of DMEPOS providers.

The draft report recommends that:

The District's Medicaid program implement a procedure to check the status of DMEPOS providers' Medicare supplier numbers and to take the appropriate action in accordance with District regulations when CMS has revoked a Medicare supplier's number.

DHCF also determined that of the 10 providers identified:

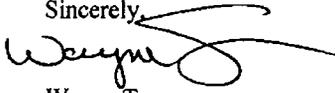
1. One provider's Medicare termination has been rescinded. The provider submitted proof of Medicare enrollment and the information was verified; and
2. Seven providers were functionally inactive in the DC Medicaid program having not been paid for any claims by DC Medicaid after the date of their Medicare termination.

We concur with your recommendation and DHCF will implement a policy and procedure to check the status of DMEPOS providers' Medicare supplier numbers and take the appropriate action in accordance with District regulations when CMS has revoked a Medicare suppliers' number. DHCF will implement the procedure by no later than October 1, 2011. This action will be taken by DHCF's Health Care Operations Administration.

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Thank you again for this opportunity to respond to this draft report. We look forward to the continued collaboration in ensuring an efficient and compliant Medicaid program. Should you have any questions, please contact Brenda Sutton on (202) 698-2018 or via e-mail at [Brenda.Sutton2@dc.gov](mailto:Brenda.Sutton2@dc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne", with a large, sweeping flourish extending to the right.

Wayne Turnage  
Director

cc: Ann Page, Director of HCAA  
Pat Squires, Interim Director of HCOA  
Laurie Rowe, Manager, Office of Provider Services

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