



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General

Office of Audit Services  
1100 Commerce, Room 632  
Dallas, Texas 75242

March 29, 2005

Report Number: A-06-03-00085

Ms. Marti Mahaffey  
Executive Vice President and COO  
TrailBlazer Health Enterprises, LLC  
8330 LBJ Freeway, Executive Center 3  
Dallas, Texas 75243

Dear Ms. Mahaffey:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Results of the Medical Reviews Performed on Selected Medicare Claims for Physical and Occupational Therapy Services Provided During Calendar Year 2002 in the State of Texas." A copy of this report will be forwarded to the action official noted below for his 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 should 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 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 or comments about this report, please do not hesitate to call me at 214-767-8414 or through e-mail at [gordon.sato@oig.hhs.gov](mailto:gordon.sato@oig.hhs.gov), or contact Sam Patterson, Audit Manager, at 405-605-6179 or through e-mail at [sam.patterson@oig.hhs.gov](mailto:sam.patterson@oig.hhs.gov).

To facilitate identification, please refer to report number A-06-03-00085 in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in black ink that reads "Gordon L. Sato".

Gordon L. Sato  
Regional Inspector General  
for Audit Services

Enclosures-as stated

**Direct Reply to HHS Action Official:**

James R. Farris, MD  
Regional Administrator  
Centers for Medicare & Medicaid Services  
1301 Young Street, Room 714  
Dallas, Texas 75202-4348

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**RESULTS OF THE MEDICAL  
REVIEWS PERFORMED ON  
SELECTED MEDICARE CLAIMS  
FOR PHYSICAL AND OCCUPATIONAL  
THERAPY SERVICES PROVIDED  
DURING CALENDAR YEAR 2002 IN  
THE STATE OF TEXAS**



**MARCH 2005  
A-06-03-0085**

# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
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## **OAS FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

#### **Explanation of Physical and Occupational Therapy Services**

Physical therapy services are designed to improve or restore physical functioning to a patient following disease, injury, or loss of a body part. Physical therapy services include the evaluation and examination of a patient. To aid in the diagnosis and treatment of a patient, physical therapists utilize a variety of exercises, rehabilitative procedures, massages, and physical agents such as mechanical devices, heat and cold, water, and sound.

Occupational therapy services are medically prescribed treatments concerned with (1) improving or restoring functions which have been impaired by illness or injury, or (2) improving the ability to perform those tasks required for independent functioning where a function has been permanently lost or reduced by illness or injury. Occupational therapy services include evaluating the patient, educating the patient or the patient's family, and providing services to help a patient to develop, improve or restore life, work, and play skills.

Both physical and occupational therapy services are provided according to a plan of care approved by a physician. These services may be provided in the therapist's office or the patient's home.

#### **Medicare's Coverage Related to Therapy Services**

Medicare Part B covers outpatient physical therapy and occupational therapy services provided by a qualified therapist in private practice when furnished in the therapist's office or the patient's home. Private practitioners may practice solo, in an unincorporated partnership, or as an employee of an established practice. Regardless of the business structure of the therapy practice, Medicare requires the practice to meet all state and local licensure laws.

TrailBlazer Health Enterprises, LLC (TrailBlazer) is the Medicare Part B carrier responsible for paying Part B therapy claims in Texas. TrailBlazer paid \$14.8 million dollars to physical and occupational therapists in private practice in Texas for therapy services provided during calendar year 2002.

### **OBJECTIVE**

Our audit objective was to determine if the therapy services, that were included in our non-statistical sample of 100 Medicare claims submitted for payment by 10 therapists in Texas during calendar year 2002, met Medicare reimbursement requirements.

### **SUMMARY OF FINDINGS**

Medical reviewers from TriCenturion, a Program Safeguard Contractor for the Centers for Medicare and Medicaid Services (CMS), determined that 2,709, over 99 percent, of the 2,734

services contained in 100 sampled claims submitted by the 10 therapists did not meet one or more of Medicare's reimbursement requirements because:

- The therapists did not maintain adequate documentation.
- The therapists did not meet the plan of care requirements.
- Someone other than the billing therapists performed the services.

Based on the results of the medical review, the therapists received \$57,253 for services that should not have been billed to Medicare. The 99 percent error rate may indicate that the therapists did not have procedures in place to ensure that the billed services met Medicare requirements.

## **RECOMMENDATIONS**

We recommend that TrailBlazer:

- recover the \$57,253 overpayment made to the nine physical therapists and one occupational therapist included in our sample; and
- continue its efforts, through various forms of provider communications, to provide education to these therapists to ensure that (1) services are sufficiently documented, (2) services are properly certified or recertified by a physician, and (3) only services provided or supervised by the therapists are billed to Medicare.

## **AUDITEE'S COMMENTS**

In their written response to our draft report, TrailBlazer officials stated that they agreed with our findings related to the therapy claims. They also agreed with our recommendation to continue their efforts to educate the therapists identified in our review to ensure that their services meet Medicare requirements. TrailBlazer officials have initiated the recovery and collection efforts related to the overpayments identified in our review. The complete text of TrailBlazer officials' written comments is included in the APPENDIX to this report.

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## **INTRODUCTION**

### **BACKGROUND**

#### **Explanation of Physical and Occupational Therapy Services**

Physical therapy services are designed to improve or restore physical functioning to a patient following disease, injury, or loss of a body part. Physical therapy services include the evaluation and examination of a patient. To aid in the diagnosis and treatment of a patient, physical therapists utilize a variety of exercises, rehabilitative procedures, massages, and physical agents such as mechanical devices, heat and cold, water, and sound.

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#### **Medicare's Coverage Related to Therapy Services**

Medicare Part B covers outpatient physical therapy and occupational therapy services provided by a qualified therapist in private practice when furnished in the therapist's office or the patient's home. Private practitioners are individuals who work in an unincorporated solo practice, an unincorporated partnership, or as an employee of an established practice. Regardless of the business structure of the therapy practice, Medicare requires the practice to meet all state and local licensure laws.

TrailBlazer Health Enterprises, LLC (TrailBlazer) is the Medicare Part B carrier responsible for paying Part B therapy claims in Texas. TrailBlazer paid \$14.8 million dollars to physical and occupational therapists in private practice in Texas for therapy services provided during calendar year 2002.

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

### **Objective**

Our audit objective was to determine if the therapy services, that were included in our non-statistical sample of 100 Medicare claims submitted for payment by 10 therapists in Texas during calendar year 2002, met Medicare reimbursement requirements.



## **Scope**

We obtained a list of the amounts paid to therapists in private practice in Texas for therapy services provided during calendar year 2002. We selected 10 who were among those that received the highest Medicare reimbursement amounts. Our selection included nine physical therapists and one occupational therapist. We then selected 10 Medicare claims that TrailBlazer processed and paid to each of the 10 therapists during calendar year 2002. Medicare paid \$58,281 to the 10 therapists for 2,734 services included in our non-statistical sample of 100 claims.

We did not review TrailBlazer's management controls because the objective of our audit did not require an understanding or assessment of its management controls.

## **Methodology**

We visited the offices of the 10 therapists at various sites in Texas and interviewed each one to gain an understanding of the therapy services they provided. We also obtained copies of the medical records that supported each claim in our sample.

We provided copies of the medical records to Texas-based TriCenturion, a Program Safeguard Contractor for CMS. TriCenturion conducted a medical review of each of the 100 claims in our sample to determine if the billed therapy services met Medicare reimbursement requirements. TriCenturion provided us with the results of its medical review.

After reviewing the results provided by TriCenturion, we met with TrailBlazer and CMS officials in Dallas, Texas, to discuss the results. During this meeting, we agreed that we would provide TrailBlazer with a report disclosing the results of the medical review of the 100 claims in our sample. TrailBlazer officials stated that they would be able to recover any overpayments based on TriCenturion's review of the supporting medical documentation.

We conducted our review in accordance with generally accepted government auditing standards. We did not issue separate reports to each of the 10 therapists nor discuss the results of the medical review with them. Instead, we are providing this report to TrailBlazer for proper disposition of our findings.

## **FINDINGS AND RECOMMENDATIONS**

TriCenturion's medical reviewers determined that 2,709, over 99 percent, of the 2,734 services contained in 100 sampled claims submitted by the 10 therapists did not meet one or more of Medicare's reimbursement requirements because:

- The therapists did not maintain adequate documentation.
- The therapists did not meet the plan of care requirements.
- Someone other than the billing therapists performed the services.

Based on the results of the medical review, the therapists received \$57,253 in Medicare payments for services that should not have been billed to Medicare. The 99 percent error rate may indicate that the therapists did not have procedures in place to ensure that the billed services met Medicare requirements. We recommend that TrailBlazer continue its efforts through provider communication to educate the therapists on how to ensure that their services meet Medicare requirements. We also recommend that TrailBlazer recover the overpayments totaling \$57,253. We previously provided TrailBlazer with a detailed schedule of the amounts to be recovered from each therapist.

## **CRITERIA THE THERAPISTS ARE REQUIRED TO FOLLOW**

### **Maintaining Adequate Documentation**

Section 1833(e) of the Social Security Act prevents Medicare from paying for services unless documentation is submitted that shows that services were provided.

Section 486.161(b) of CFR Chapter 42 requires physical therapists' clinical records to contain sufficient information to identify the patient clearly, to justify the treatment, and to document the results accurately. The clinical records should include the care and services provided.

Section 1862(a)(1)(A) of the Social Security Act allows coverage and payment only for those services that are considered medically reasonable and necessary.

### **Meeting the Plan of Care Requirements**

According to the Medicare Carriers Manual Part 3, Chapter II, Sections 2210 and 2217, for Medicare to pay for physical or occupational therapy services, the services must relate directly and specifically to an active, written plan of care. Either the physician, after any needed consultation with the qualified physical or occupational therapist, or the therapist providing such services can establish the plan of care.

Per sections 410.61(a), (c) and (e) of 42 CFR, the written plan of care must:

- prescribe the type, amount, frequency, and duration of the physical or occupational therapy services to be furnished to an individual;
- indicate the diagnosis and anticipated goals; and
- be dated and signed by the physician who reviews it as often as the individual's condition requires, but at least every 30 days.

The Medicare Carriers Manual, Part 3, Chapter II, Section 2215 E.2, states that the therapist must certify on the billing form that the plan is on file and was in effect at the time the services were rendered.

The Medicare Carriers Manual, Part 3, Chapter II, Section 2215, states that the attending physician may be the patient's private physician or a physician associated with an institution. There must be evidence in the clinical record maintained by the therapist that the physician has seen the patient at least every 30 days, and the therapist must indicate on the bill the name of the physician and the date the physician last saw the patient.

### **Billing Therapists Must Perform the Services**

The Medicare Claims Processing Manual, Chapter 26, Section 10.4, requires that the claim identify the person who actually performed the services being billed if the provider is a member of a group practice.

Sections 410.59 and 410.60 of 42 CFR state that Medicare Part B pays for therapy services if they are performed by or under the personal supervision of a physical or occupational therapist in private practice. All services not performed personally by the therapist must be performed by employees of the practice, personally supervised by the therapist, and included in the fee for the therapist's services.

### **CONDITIONS RESULTING FROM NOT FOLLOWING THE REQUIRED CRITERIA**

Our sample of 100 claims consisted of 2,734 services. The TriCenturion medical review staff determined that 2,709 of these services did not meet Medicare reimbursement requirements. Each of the 2,709 services was questioned for one or more reasons.

#### **The Therapists Did Not Maintain Adequate Documentation**

- The therapists did not have adequate documentation for 1,475 of the services, as explained in the following examples.
  - The medical reviewers questioned three services because the only description in the medical record was “rehab.” The medical reviewers could not determine the type of therapy service performed by the therapist.
  - The medical reviewers questioned 48 services because the medical records contained no history of when knee surgery was performed on a particular patient. The medical reviewers were unable to ascertain the medical necessity of the treatment.
  - The medical documentation for one claim showed that one occupational therapist had completed an assessment of a patient and determined that the patient did not need occupational therapy. However, 10 days later the occupational therapist in our sample provided 8 occupational therapy services. The occupational therapist in our sample did not document why she thought the services were needed.

- The therapists did not provide any therapy documentation for 178 services.
- The therapists did not sign the therapy notes for 88 services.
- The dates of service shown in the medical records did not match the dates shown on the claim for eight services.

### **The Therapists Did Not Meet the Plan of Care Requirements**

- The therapists did not have a plan of care in the patients' medical records, or a physician did not sign the plan of care for each of 911 services.
- The plans of care were inadequate for 151 services. The plans of care did not contain all of the required information, such as type, amount, frequency and duration of the therapy, or the diagnosis and anticipated goals.
- The therapists did not have adequate therapy recertifications for 528 services. In 489 of these cases, there was no indication that the patient had a required face-to-face visit with a physician for therapy recertification.
- The therapists did not have a therapy recertification in the medical record for 34 services.
- The therapists did not perform a proper assessment for seven services. Without performing a proper assessment, it would not be possible for the therapists to establish a proper plan of care. Medical reviewers questioned one of these services because the assessment was incomplete and vague. They questioned the other six services because no evaluation was done after the patient returned from an extended vacation.

### **Someone Other Than the Billing Therapists Performed the Services**

- Therapists other than the billing therapist performed 749 of the services. These therapists, who were either employed by the billing therapist or working in the same clinic as the billing therapist, provided the services that were billed under the billing therapist's provider identification number (PIN). The claims did not identify the therapist who actually provided the services. For example, one of the therapists in our sample owned several clinics throughout southern Texas. Many of the services that were billed under his PIN were actually performed by his employees working in separate clinics as many as 120 miles away and there was no evidence of supervision by the billing therapist in the supporting documentation.

In another example, the medical records showed that many of the services that were billed under the PIN of a therapist employed by one clinic were actually performed by other therapists employed at the clinic. The therapist stated that he was paid a salary and was not involved in the billing. He stated that he was unaware his PIN was being used to bill for services that other therapists performed.

In some cases, the therapists who provided the services had their own PINs. If these therapists had billed under their own PINs, 175 services may have been allowable.

- Therapy assistants performed 115 of the services with no indication that the billing therapist was supervising the service.

## **POSSIBLE REASONS FOR LARGE NUMBER OF ERRORS**

The large number of errors identified during the medical review may have occurred because the providers did not have procedures in place to ensure that the services for which they billed met Medicare requirements. In addition, the providers may need additional education covering proper billing and documentation practices for physical or occupational therapy services. TrailBlazer officials told us that they have made a number of training sessions and educational materials available to Texas therapists that address many of the problems medical reviewers identified.

## **EFFECT ON THE MEDICARE PROGRAM**

Because therapists do not submit medical records along with their Medicare claims, the findings identified during the medical review of the 100 claims would not have been apparent to TrailBlazer when the claims were submitted for processing and payment. As a result, Medicare funds totaling \$57,253 were improperly paid to the 10 therapists included in our review.

## **RECOMMENDATIONS**

We recommend that TrailBlazer:

- recover the \$57,253 overpayment made to the nine physical therapists and one occupational therapist included in our sample; and
- continue its efforts, through various forms of provider communications, to provide education to these therapists to ensure that (1) services are sufficiently documented, (2) services are properly certified or recertified by a physician, and (3) only services provided or supervised by the therapists are billed to Medicare.

## **AUDITEE'S COMMENTS**

In their written response to our draft report, TrailBlazer officials stated that they agreed with our findings related to the therapy claims. They also agreed with our recommendation to continue their efforts to educate the therapists identified in our review to ensure that their services meet Medicare requirements. TrailBlazer officials have initiated the recovery and collection efforts related to the overpayments identified in our review. The complete text of TrailBlazer officials' written comments is included in the APPENDIX to this report.

# **APPENDIX**



8330 LBJ Freeway  
Executive Center III  
Dallas, Texas 75243-1213

**Marti Mahaffey**  
Executive Vice President and  
Chief Operating Officer

February 21, 2005

Mr. Gordon L. Sato  
Regional Inspector General for Audit Services  
Office of Inspector General  
1100 Commerce Street  
Room 632  
Dallas, Texas 75242

Re: CIN: A-06-03-00085

Dear Mr. Sato:

In response to your draft audit report *Results of Medical Reviews Performed on Selected Medicare Claims for Physical and Occupational Therapy Services Provided During Calendar Year 2002 in the State of Texas*, we appreciate the opportunity to provide our comments for your consideration. We support your efforts highlighting the vulnerabilities associated with processing this specific type of Medicare claims. Further, we agree with your findings and recommendations to continue our efforts to educate the specific therapists included in this review to ensure that their services meet Medicare requirements and to recover the specific overpayments identified. Recovery efforts were initiated, demand letters have been issued to collect all the overpayments identified, and collection efforts will continue in accordance with existing CMS debt collection instructions.

Again, we appreciate this opportunity to provide our comments. If you have any questions please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marti Mahaffey", is written over the typed name.

Marti Mahaffey  
Executive Vice President and Chief Operating Officer

Cc: James Randolph Farris, M.D., CMS  
John Delaney, CMS