

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FIRST COAST SERVICE OPTIONS'
PAYMENTS TO PROVIDERS FOR
HOSPITAL OUTPATIENT DENTAL
SERVICES IN JURISDICTION N
GENERALLY DID NOT COMPLY WITH
MEDICARE REQUIREMENTS**

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**Patricia Wheeler
Regional Inspector General
for Audit Services**

**March 2016
A-06-15-00013**

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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.

First Coast Service Options, Inc., paid providers in Jurisdiction N approximately \$1.1 million for hospital outpatient dental services that did not comply with Medicare requirements.

INTRODUCTION

WHY WE DID THIS REVIEW

Dental services are generally excluded from Medicare coverage unless certain criteria are met. Previous Office of Inspector General (OIG) work identified Medicare payments for hospital outpatient dental services that did not comply with Medicare requirements.¹ From January 1, 2012, through August 31, 2014, First Coast Service Options, Inc. (FCSO), a Medicare administrative contractor, paid providers in Florida, Puerto Rico, and the U.S. Virgin Islands (Jurisdiction N) the second highest reimbursement amount of all Medicare administrative contractor jurisdictions for hospital outpatient dental services that we determined may be ineligible for Medicare payment.

OBJECTIVE

Our objective was to determine whether the payments that FCSO made to providers in Jurisdiction N for hospital outpatient dental services complied with Medicare requirements.

BACKGROUND

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

Medicare Contractors

CMS contracts with Medicare contractors to process and pay Medicare claims submitted by hospital outpatient departments.² The Medicare contractors' responsibilities include determining reimbursement amounts, conducting reviews and audits, and safeguarding against fraud and abuse. Federal guidance requires Medicare contractors to maintain adequate internal controls over automatic data processing systems to prevent increased program costs and erroneous or

¹ *Medicare Contractors' Payments to Providers for Hospital Outpatient Dental Services in Kentucky and Ohio Did Not Comply With Medicare Requirements (A-06-14-00020) and Medicare Contractors' Payments to Providers for Hospital Outpatient Dental Services in Jurisdiction K Did Not Comply With Medicare Requirements (A-06-14-00022).*

² Section 911 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173, required CMS to transfer the functions of fiscal intermediaries and carriers to Medicare administrative contractors (MACs) between October 2005 and October 2011. Most, but not all, of the MACs are fully operational; for jurisdictions where the MACs are not fully operational, the fiscal intermediaries and carriers continue to process claims. In this report, the term "Medicare contractor" means the fiscal intermediary, carrier, or MAC, whichever is applicable.

delayed payments. To process providers' claims for hospital outpatient dental services, the Medicare contractors use the Fiscal Intermediary Standard System (FISS).

Hospital Outpatient Dental Services

Medicare generally does not cover hospital outpatient dental services. Under the general exclusion provisions of the Act, items and services in connection with the care, treatment, filling, removal, or replacement of teeth or structures directly supporting the teeth (e.g., preparation of the mouth for dentures are not covered (§ 1862(a)(12)). Coverage is not determined by the value or the necessity of the dental care but by the type of service provided and the anatomical structure on which the procedure is performed.

For hospital outpatient dental services to be covered, they must be performed as incident to and as an integral part of a procedure or service covered by Medicare.³ For example, Medicare covers extractions done in preparation for radiation treatment for neoplastic diseases involving the jaw, but a tooth extraction performed because of tooth decay is not covered.

Providers generate the claims for hospital outpatient dental services provided to Medicare beneficiaries. Medicare requires providers to submit accurate claims.

First Coast Service Options, Inc.

During our audit period (January 1, 2012, through August 31, 2014), FCSO, a subsidiary of GuideWell Source, was the Medicare contractor for Jurisdiction N. As part of its internal controls, FCSO developed an edit in the FISS to suspend claims for certain dental services. For those claims, the edit system sent a request for additional documentation to the provider. FCSO manually reviewed the additional documentation sent by the provider to determine payment eligibility.

HOW WE CONDUCTED THIS REVIEW

Our review covered 1,321 hospital outpatient dental services, totaling \$1,159,067, paid by FCSO to providers in Jurisdiction N during our audit period. We excluded dental services associated with a diagnosis related to cancer or physical trauma because Medicare officials explained that these services are generally eligible for Medicare payment. We selected a stratified random sample of 100 hospital outpatient dental services and contacted the providers that received the payments for those services to determine whether the services complied with Medicare requirements.

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 findings and conclusions based on our audit objectives.

³ *Medicare Benefit Policy Manual*, Pub. No. 100-02, chapter 15, section 150.

Appendix A contains the details of our audit scope and methodology, Appendix B contains our statistical sampling methodology, and Appendix C contains our sample results and estimates.

FINDINGS

The payments that FCSO made to providers in Jurisdiction N for hospital outpatient dental services generally did not comply with Medicare requirements. Of the 100 dental services in our stratified random sample, 95 did not comply with Medicare requirements. We did not review one dental service because the payment was refunded before our audit work. For the remaining four, FCSO properly paid providers for the dental services. Using our sample results, we estimated that FCSO improperly paid providers in Jurisdiction N at least \$1,065,486⁴ for hospital outpatient dental services that did not comply with Medicare requirements.

For most of the 95 ineligible hospital outpatient dental services we reviewed, providers in Jurisdiction N billed Medicare for tooth socket repairs, which is not a covered service.⁵ In addition, providers billed Medicare for unallowable x-rays.⁶ These unallowable tooth socket repairs and x-rays accounted for the majority, or 82 percent, of all unallowable dental services in our sample. Other types of unallowable dental services included tooth extractions, gum repair or excision, and oral examinations.⁷

For 94 of the 95 ineligible hospital outpatient dental services, providers agreed that the Medicare contractor payments did not comply with Medicare requirements. For the remaining dental service, the provider disagreed with our assessment and did not respond to our request for a followup discussion. We asked FCSO officials to determine whether the payment complied with Medicare requirements, and they agreed that the payment was not in compliance.

The majority of the providers stated that the unallowable payments occurred because the dental services were missing information indicating that they were ineligible for Medicare payment. Other providers stated that the dental services were billed to Medicare for beneficiaries eligible for both Medicare and Medicaid. The providers said that they expected Medicare to deny the services so that they could bill Medicaid. However, FCSO incorrectly paid the claims. Other providers stated that inadequate controls caused the billing errors.

In addition, 6 of the 95 ineligible dental service claims should have been suspended by FCSO's edit but were not because of program changes made in the FISS. As a result, these six services were incorrectly paid. Furthermore, FCSO's edit was not programmed to identify and suspend the other 89 ineligible dental services.

⁴ Based on additional information FCSO provided to OIG, this amount was revised from the original amount of \$1,071,678.

⁵ *Medicare Benefit Policy Manual*, Pub. No. 100-02, chapter 15, section 150.

⁶ *Id.*

⁷ *Id.*

WHAT WE RECOMMEND

We recommend that FCSO:

- recover the \$1,065,486 in unallowable payments,
- use the results of this audit in its provider education activities,
- make changes to the edit system to ensure that it identifies and suspends claims with the questionable dental services that it was programmed to suspend, and
- broaden the edit system to include additional dental services that it was not programmed to suspend.

FIRST COAST SERVICE OPTIONS, INC.. COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

FIRST COAST SERVICE OPTIONS, INC., COMMENTS

In written comments on our draft report, FCSO stated that it is not able to demand recovery of the estimated unallowable payments because we did not identify the estimated amount owed by each provider. However, FCSO said that it will consult with CMS on an alternative repayment process. FCSO concurred with our second recommendation, stating that it will publish an article reminding providers about properly billing claims to Medicare for noncovered services. Regarding our third recommendation, FCSO made changes to its current edit system to ensure that it identifies and suspends claims with the questionable dental services that it was programmed to suspend. On the fourth recommendation, FCSO said that it will consult with CMS about expanding the current list of dental services included in the national edit system. If revisions to the national edits are not an option, FCSO said that it will perform an analysis to determine whether adding additional dental services to its local edit system is appropriate.

FCSO's comments are included in their entirety as Appendix D.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing FCSO's comments, we maintain that our recommended recovery amount is valid. FCSO should work with CMS to determine a method for collecting the overpayments.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our review covered 1,321 hospital outpatient dental services, totaling \$1,159,067, paid by FCSO to providers in Jurisdiction N during the period January 1, 2012, through August 31, 2014. We excluded dental services associated with a diagnosis related to cancer or physical trauma because Medicare officials explained that these services are generally eligible for Medicare payment. We selected a stratified random sample of 100 hospital outpatient dental services obtained from CMS's National Claims History file.

We limited our review of FCSO's internal controls to those that were applicable to the selected dental services because our objective did not require an understanding of all internal controls over the submission and processing of claims. Our review allowed us to establish reasonable assurance of the authenticity and accuracy of the data obtained from the National Claims History file, but we did not assess the completeness of the file.

We performed our audit work from April through August 2015.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- reviewed previous discussion with Medicare officials to obtain an understanding of the Medicare requirements related to hospital outpatient dental services;
- interviewed FCSO officials to gain an understanding of their policies and procedures related to payment for Medicare hospital outpatient dental services;
- extracted from CMS's National Claims History file 1,321 Medicare hospital outpatient dental services with a diagnosis not related to cancer or physical trauma, totaling \$1,159,067, paid by FCSO to providers in Jurisdiction N during the period January 1, 2012, through August 31, 2014;
- selected a stratified random sample of 100 hospital outpatient dental services from the sampling frame;
- contacted all the providers that received payments for the selected hospital outpatient dental services to determine whether the information on the claims was correct and, if not, why the claims were incorrect and whether the providers agreed that refunds were appropriate;
- contacted FCSO officials because 1 provider disagreed with our finding and could not be reached for followup discussion;

- evaluated the documentation obtained from the providers for each sample item to determine whether the hospital outpatient dental services were paid in accordance with Medicare requirements;
- removed 7 Medicare hospital outpatient dental services from the sampling frame, resulting in a sampling frame of 1,314 Medicare hospital outpatient dental services, totaling \$1,151,636, from January 1, 2012, through August 31, 2014;
- estimated the unallowable payments made in the total population of 1,314 hospital outpatient dental services; and
- discussed the results of our audit with FCSO officials.

See Appendix B for the details of our statistical sampling methodology and Appendix C for our sample results and estimates.

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 findings and conclusions based on our audit objectives.

APPENDIX B: STATISTICAL SAMPLING METHODOLOGY

POPULATION

The population consisted of hospital outpatient dental services (1) which were not associated with a diagnosis related to cancer or physical trauma; (2) which were provided from January 1, 2012, through August 31, 2014; and (3) for which Medicare payments were made to providers in Jurisdiction N.

SAMPLING FRAME

The sampling frame consisted of 1,321 hospital outpatient dental services, totaling \$1,159,067, for the period January 1, 2012, through August 31, 2014.⁸

SAMPLE UNIT

The sample unit was a hospital outpatient dental service paid by FCSO to providers in Jurisdiction N.

SAMPLE DESIGN

We selected a stratified random sample.

Stratum	No. of Items	Stratum Boundaries	Dental Payments
1	120	Less than \$557	\$19,194
2	890	\$557 to less than \$1,277	674,135
3	311	Equal to or more than \$1,277	465,738
Total	1,321		\$1,159,067

SAMPLE SIZE

We selected a sample of 100 dental services, 30 from stratum 1, 40 from stratum 2, and 30 from stratum 3.

SOURCE OF RANDOM NUMBERS

We used the OIG, Office of Audit Services (OAS), statistical software to generate the random numbers.

⁸ After selecting the statistical sample we identified 7 services in the frame that FCSO did not process. To reduce any confusion about the interpretation of the estimate, we removed these 7 services from the frame. Because of this latter step, we calculated the statistical estimates using a frame size of 1,314 hospital outpatient dental services, totaling \$1,151,636, rather than the original 1,321.

METHOD OF SELECTING SAMPLE ITEMS

We consecutively numbered the sampling frame from 1 to 120 for stratum 1, 1 to 890 for stratum 2, and 1 to 311 for stratum 3. After generating 30 random numbers for stratum 1, 40 random numbers for stratum 2, and 30 random numbers for stratum 3, we selected the corresponding frame items.

ESTIMATION METHODOLOGY

We used the OIG/OAS statistical software to estimate the total amount of unallowable Medicare payments for hospital outpatient dental services.

APPENDIX C: SAMPLE RESULTS AND ESTIMATES

Sample Details and Results

Stratum	Sampling Frame Size	Value of Frame	Sample Size	Value of Sample	Number of Unallowable Dental Services	Value of Unallowable Dental Services
1	120	\$19,194	30	\$5,409	28	\$5,350
2	885	669,465	40	31,741	40	31,741
3	309	462,977	30	48,145	27	41,650
Total	1,314	\$1,151,636	100	\$85,296	95	\$78,741

Estimated Value of Dental Service Overpayments
(Limits Calculated for a 90-Percent Confidence Interval)

Point estimate	\$1,152,676
Lower limit	\$1,065,486
Upper limit	\$1,239,866

APPENDIX D: FIRST COAST SERVICE OPTIONS, INC., COMMENTS



Harvey B. Dikter
CEO & President
First Coast Service Options, Inc.
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February 18, 2016

Ms. Patricia Wheeler, Regional Inspector General
Office of Inspector General
Office of Audit Services, Region VI
1100 Commerce Street, Room 632
Dallas, TX 75242

Reference: A-06-15-00013

Dear Ms. Wheeler:

We received the U.S. Department of Health & Human Services, Office of Inspector General (OIG) draft report entitled, "*First Coast Service Options', Payments to Providers for Hospital Outpatient Dental Services in Jurisdiction N Generally Did Not Comply With Medicare Requirements*" and reviewed the findings and recommendations contained herein. We appreciate the opportunity to review and provide comments prior to release of the final report.

In the draft report, you outlined four recommendations that we have addressed as follows:

Recommendation:

Recover \$1,071,678 in unallowable payments.

Response:

Based on the information provided First Coast is unable to demand the estimated overpayment for the following reasons:

- The extrapolated overpayment amount provided by OIG does not identify the estimated amount owed at a provider level.

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- After a follow-up discussion with the OIG and due to the sampling methodology employed we have requested a consultation with CMS for direction on the collection of the overpayments using an alternative process.

Recommendation:

Use the results of this audit in its ongoing provider education activities.

Response:

First Coast concurs with the OIG recommendation. First Coast will publish an article reminding providers for hospital outpatient dental services how to properly bill non-covered claims to Medicare. The article will be published by March 31, 2016.

Recommendation:

Make changes to the edit system to ensure that it identifies and suspends claims with the questionable dental services that it was programmed to suspend.

Response:

With the implementation of the Hospital Outpatient PPS System (OPPS), CMS implemented editing for specific dental CPT procedure codes in the national Part A claims processing system. At that time, First Coast implemented local edits in the Part A claims processing system to ensure the targeted dental services would suspend for manual medical review. Subsequent national claims processing system changes caused the existing editing to not work as designed. As a result, effective August 7, 2015 First Coast modified the local edits to ensure the targeted dental services suspend for manual medical review.

Recommendation:

Broaden the edit system to include additional dental services that it was not programmed to suspend.

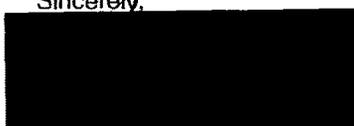
Response:

Currently, CMS' national Part A claims processing OPPS edits and associated local edits for dental services are limited. First Coast will consult with CMS as to the potential for expanding the current list of dental services included in the national OPPS edits. If revisions to the national edits are not an option, First Coast will evaluate current data to determine the potential impact to the claims payment error rate and Trust Fund dollars at risk for these services to determine the appropriate level of prepayment manual medical review. Additional dental services will be added to local edits, as appropriate.

Ms. Patricia Wheeler
February 18, 2016
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Again, we appreciate the opportunity to review and provide comments prior to release of the final report. If you have any questions regarding our responses, please contact Mr. Gregory W. England at (904) 791-8364.

Sincerely,



Harvey B. Dikter

cc: Gregory W. England

First Coast Service Options, Inc.