

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MEDICARE CONTRACTOR PAYMENTS TO
PROVIDERS FOR HOSPITAL OUTPATIENT
DENTAL SERVICES IN JURISDICTION H
GENERALLY DID NOT COMPLY WITH
MEDICARE REQUIREMENTS**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



Brian P. Ritchie
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for Audit Services

April 2016
A-06-15-00014

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.

Medicare contractors paid providers in Jurisdiction H approximately \$1.8 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 During our audit period (January 1, 2012, through August 31, 2014), Medicare contractors paid providers in Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma, and Texas (Jurisdiction H) the 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 Medicare contractor payments made to providers in Jurisdiction H 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.

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.

Novitas Solutions, Inc., Pinnacle Business Solutions, Inc., and TrailBlazer Health Enterprises, LLC.

Pinnacle Business Solutions, Inc. (Pinnacle), was the fiscal intermediary for Louisiana, Arkansas, and Mississippi until August 20, 2012; TrailBlazer Health Enterprises, LLC (TrailBlazer), was the fiscal intermediary for Colorado, New Mexico, Texas, and Oklahoma until October 29, 2012. Novitas Solutions, Inc. (Novitas), a subsidiary of GuideWell Source, began processing claims from each fiscal intermediary on the transition date⁴ and was fully operational as the Medicare contractor for Jurisdiction H on November 19, 2012. Accordingly, we are addressing our recommendations to Novitas.

As part of its internal controls, Novitas developed two edits related to hospital outpatient dental services:

- One edit suspended claims for certain dental services. For those claims, the edit system sent a request to the provider for additional documentation, which Novitas' clinical staff reviewed to determine payment eligibility.
- The second edit suspended claims for certain dental services for review by Novitas' claims processors. They reviewed those claims for a diagnosis related to cancer or physical trauma to determine payment eligibility.

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

⁴ The Jurisdiction H workload from Pinnacle was transitioned to Novitas on August 20, 2012; the workload from TrailBlazer was transitioned to Novitas on October 29, 2012.

HOW WE CONDUCTED THIS REVIEW

Our review covered 2,639 hospital outpatient dental services, totaling \$2,099,705, paid by Medicare contractors to providers in Jurisdiction H during our audit period. We excluded dental services that were 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.

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

Medicare contractor payments to providers in Jurisdiction H for hospital outpatient dental services generally did not comply with Medicare requirements. Of the 100 dental services in our stratified random sample, 91 did not comply with Medicare requirements. We did not review one dental service because the payment was refunded before our audit work, and we did not review two dental services because the providers submitted claims to a Medicare contractor other than Novitas, Pinnacle, or TrailBlazer. For the remaining six, Medicare contractors properly paid providers for the dental services. Using our sample results, we estimated that Medicare contractors improperly paid providers in Jurisdiction H at least \$1,767,106 for hospital outpatient dental services that did not comply with Medicare requirements.

For most of the 91 ineligible hospital outpatient dental services we reviewed, providers in Jurisdiction H billed Medicare for tooth socket repairs, which is not a covered service.⁵ In addition, providers billed Medicare for unallowable tooth extractions and x-rays.⁶ These unallowable tooth socket repairs, extractions, and x-rays accounted for the majority, or 98 percent, of all unallowable dental services in our sample. The other two types of unallowable dental services were a gum repair and an excision.⁷

The providers that received the improper payments for the 91 ineligible hospital outpatient dental services agreed that the Medicare contractor payments did not comply with Medicare

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

⁶ *Id.*

⁷ *Id.*

requirements. The majority of the providers stated that the unallowable payments occurred because the dental services were billed to Medicare for patients eligible for both Medicare and Medicaid. The providers said that they expected Medicare to deny the services so that they could bill Medicaid. However, the Medicare contractor incorrectly paid the claims. Other providers stated that the noncovered dental services were incorrectly billed as covered services. The remaining providers did not provide a reason for the billing errors.

In addition, a claim for 1 of the 91 ineligible dental services was suspended for review and denied by a Novitas claims processor. However, the provider appealed the denial, and, during the appeals process, Novitas incorrectly determined that the dental service was eligible for Medicare payment. Furthermore, Novitas' edits did not suspend claims for the other 90 ineligible dental services.

WHAT WE RECOMMEND

We recommend that Novitas:

- recover the \$1,767,106 in unallowable payments,
- use the results of this audit in its provider education activities,
- implement additional internal controls for the appeals process to ensure that ineligible claims for hospital outpatient dental services are denied, and
- broaden the edit system to include all unallowable dental services.

NOVITAS SOLUTIONS, INC., COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, Novitas stated that it was not able to demand the estimated overpayments from providers because we did not identify the estimated amount owed by each provider. However, Novitas said that it will pursue the collection of overpayments using an alternative process. Novitas concurred with our second, third, and fourth recommendations. Novitas' comments are included in their entirety as Appendix D.

After reviewing Novitas' comments, we maintain that our recommended recovery amount is valid.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our review covered 2,639 hospital outpatient dental services, totaling \$2,099,705, paid by Medicare contractors to providers in Jurisdiction H 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 Novitas' 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 June through September 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 Novitas 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 2,639 Medicare hospital outpatient dental services with a diagnosis not related to cancer or physical trauma, totaling \$2,099,705, paid by Medicare contractors to providers in Jurisdiction H 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 the providers that received the 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;

- 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;
- estimated the unallowable payments made in the total population of 2,639 hospital outpatient dental services; and
- discussed the results of our audit with Novitas 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 H.

SAMPLING FRAME

The sampling frame consisted of 2,639 hospital outpatient dental services totaling \$2,099,705 for the period January 1, 2012, through August 31, 2014.

SAMPLE UNIT

The sample unit was a hospital outpatient dental service paid by Medicare contractors to providers in Jurisdiction H.

SAMPLE DESIGN

We selected a stratified random sample.

Stratum	No. of Items	Stratum Boundaries	Dental Payments
1	1,056	Less than \$583	\$219,659
2	1,411	\$583 to less than \$1,739	1,351,376
3	172	Equal to or more than \$1,739	528,670
Total	2,639		\$2,099,705

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.

METHOD OF SELECTING SAMPLE ITEMS

We consecutively numbered the sampling frame from 1 to 1,056 for stratum 1, 1 to 1,411 for stratum 2, and 1 to 172 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	1,056	219,659	30	\$5,469	27	\$5,394
2	1,411	1,351,376	40	38,935	38	36,932
3	172	528,670	30	86,746	26	77,648
Total	2,639	\$2,099,705	100	\$131,150	91	\$119,974

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

Point estimate	\$1,937,838
Lower limit	\$1,767,106
Upper limit	\$2,108,571

APPENDIX D: NOVITAS SOLUTIONS, INC., COMMENTS



Harvey B. Dikter
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March 10, 2016

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

Report Number: A-06-15-00014

Dear Ms. Wheeler:

Novitas Solutions, Inc. (Novitas) received the United States Department of Health and Human Services, Office of Inspector General (OIG) draft report, entitled, "*Medicare Contractor Payments to Providers for Hospital Outpatient Dental Services in Jurisdiction H Generally Did Not Comply With Medicare Requirements*" and reviewed the findings and recommendations contained herein. Novitas appreciates the opportunity to review and provide comments prior to the release of the final report.

In the draft report, the OIG outlined four recommendations that Novitas has addressed as follows:

Recommendation:

Recover \$1,767,106 in unallowable payments

Response:

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

- The extrapolated overpayment amount provided by the OIG does not identify the estimated amount owed at a provider level.
- Due to the sampling methodology employed, Novitas will pursue the collection of overpayments using an alternative process.

Recommendation:

Use the results of this audit in provider education activities

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Response:

Novitas concurs with this recommendation. Novitas will publish an article reminding providers about the guidelines to bill hospital outpatient dental services to Medicare and include this topic in the next quarterly Medicare Updates presentation and other presentations/provider education.

Recommendation:

Implement additional internal controls for the appeals process to ensure that ineligible claims for hospital outpatient dental services are denied

Response:

Novitas concurs with this recommendation. Novitas will enhance existing Appeals procedures and has already implemented an additional internal control that requires supervisory clinical approvals for any recommendations made to reverse previous denials of hospital outpatient dental service claims.

Recommendation:

Broaden the edit system to include all unallowable dental services

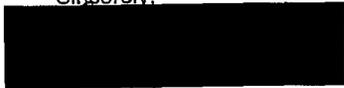
Response:

Novitas concurs with this recommendation. Novitas has broadened the prior local edits for hospital outpatient dental services to identify all unallowable services.

Additionally, because CMS' national Part A claims processing Outpatient Prospective Payment System (OPPS) edits are limited, Novitas will consult with CMS about 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, Novitas 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.

Again, Novitas appreciates the opportunity to review and provide comments prior to release of the final report. If you have any questions regarding the Novitas responses, please contact Mr. Gregory England at (904) 791-8364.

Sincerely,



Harvey B. Dikter

cc: Gregory W. England

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