

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**WISCONSIN PHYSICIANS SERVICE'S
PAYMENTS TO PROVIDERS FOR
HOSPITAL OUTPATIENT DENTAL
SERVICES IN JURISDICTION 5 AND
JURISDICTION 8 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.*



Patricia Wheeler
Regional Inspector General
for Audit Services

March 2016
A-06-15-00034

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

Section 8M of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

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.

Wisconsin Physicians Service paid providers in Jurisdictions 5 and 8 approximately \$1.3 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 generally did not comply with Medicare requirements. Appendix A lists previous reviews of hospital outpatient dental services. From January 1, 2013, through December 31, 2014, Wisconsin Physicians Service (WPS), a Medicare administrative contractor, paid providers in Iowa, Kansas, Missouri, and Nebraska (Jurisdiction 5) and in Indiana and Michigan (Jurisdiction 8) one of the highest reimbursement amounts of all Medicare administrative contractors for hospital outpatient dental services that we determined may be ineligible for Medicare payment.

OBJECTIVE

Our objective was to determine whether the payments that WPS made to providers in Jurisdiction 5 and Jurisdiction 8 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.¹ 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 delayed payments. To process providers' claims for hospital outpatient dental services, the Medicare contractors use the Fiscal Intermediary Standard System.

¹ 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 between October 2005 and October 2011. Most, but not all, of the Medicare administrative contractors are fully operational; for jurisdictions where the Medicare administrative contractors 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 Medicare administrative contractor, whichever is applicable.

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.² 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.

Wisconsin Physicians Service

During our audit period (January 1, 2013, through December 31, 2014), WPS was the Medicare contractor for Jurisdiction 5 and Jurisdiction 8.

HOW WE CONDUCTED THIS REVIEW

Our review covered 1,993 hospital outpatient dental services, totaling \$1,505,477, paid by WPS to providers in Jurisdiction 5 and Jurisdiction 8 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.³

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

² *Medicare Benefit Policy Manual*, Publication No. 100-02, chapter 15, section 150.

³ Because WPS had already performed a medical review of two of the sample dental services, we requested that WPS determine whether those services complied with Medicare requirements.

FINDINGS

The payments that WPS made to providers in Jurisdiction 5 and Jurisdiction 8 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 provider submitted its claims to a different Medicare contractor. The four remaining dental services complied with Medicare requirements. Using our sample results, we estimated that WPS improperly paid providers in Jurisdiction 5 and Jurisdiction 8 at least \$1,298,794 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 5 and Jurisdiction 8 billed Medicare for tooth socket repairs, which is not a covered service.⁴ In addition, providers billed Medicare for unallowable x-rays.⁵ These unallowable tooth socket repairs and x-rays accounted for the majority, or 77 percent, of all unallowable dental services in our sample. Other types of unallowable dental services included, for example, tooth extractions and periodontics.⁶

For all of the 95 ineligible hospital outpatient dental services, providers agreed that the Medicare contractor payments did not comply with Medicare requirements. The majority of the providers stated that the dental services were billed to Medicare because beneficiaries were eligible for both Medicare and Medicaid. Because Medicare was the primary payer for these services, providers were required to submit claims to Medicare first and document that Medicare denied the claims before Medicaid could be billed. However, WPS incorrectly paid the claims. Some of the providers did not always include the appropriate modifier or condition code to signify that the services were not eligible for payment.

WPS and one hospital provider told us that they initially believed the outpatient dental services claimed were allowable because of the medical history/condition of the patient, i.e., medical necessity. Other hospital providers told us that they inadvertently billed the wrong procedure code, and one hospital provider told us that the dental services were incorrectly billed because of inadequate edits in the hospital's claims system.

WPS officials stated that dental services were processed and incorrectly paid because WPS did not have dental edits in place until December 2013. They added that when the edits were put in place, however, the medical review team that reviewed the services misinterpreted the criteria for approving outpatient dental services and approved claims that should have been denied. WPS officials told us that in mid-2014 they had reeducated their medical review team; however, they still approved and paid claims that should have been denied after mid-2014.

⁴ *Medicare Benefit Policy Manual*, Pub. No. 100-02, chapter 15, section 150.

⁵ *Id.*

⁶ *Id.*

WHAT WE RECOMMEND

We recommend that WPS:

- recover the \$1,298,794 in unallowable payments,
- use the results of this audit in its provider education activities, and
- revise dental edits already in place in its claims-processing system and reeducate its medical review team by including the results of this audit as part of the reeducation to ensure that payments made to providers for hospital outpatient dental services comply with Medicare requirements.

WISCONSIN PHYSICIANS SERVICE COMMENTS

In written comments on our draft report, WPS did not say it agreed or disagreed with our first and third recommendations, but it did agree with our second recommendation. Regarding our first recommendation, WPS stated that overpayments associated with claims that were paid incorrectly will be reprocessed and collected, as appropriate. Regarding our second recommendation, WPS said that its Medical Review unit plans to use the results of this audit in its one-on-one provider education activities. Regarding our third recommendation, WPS said that its Medical Review unit revised its dental edits in November 2014 and is reviewing all dental services submitted to Medicare for payment. WPS said that as it reprocesses the claims identified in this audit, it will evaluate and complete any further education needed for its Medical Review staff. WPS's comments are included in their entirety as Appendix E.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>Medicare Contractors' Payments to Providers for Hospital Outpatient Dental Services in Kentucky and Ohio Did Not Comply With Medicare Requirements</i>	<u>A-06-14-00020</u>	07-28-15
<i>Medicare Contractors' Payments to Providers for Hospital Outpatient Dental Services in Jurisdiction K Did Not Comply With Medicare Requirements</i>	<u>A-06-14-00022</u>	07-15-15
<i>Ben Taub General Hospital Claimed Unallowable Medicare Reimbursement for Hospital Outpatient Dental Services</i>	<u>A-06-13-00004</u>	02-18-14
<i>Parkland Health and Hospital System Claimed Unallowable Medicare Reimbursement for Hospital Outpatient Dental Services</i>	<u>A-06-13-00003</u>	11-18-13

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our review covered 1,993 hospital outpatient dental services, totaling \$1,505,477, paid by WPS to providers in Jurisdiction 5 and Jurisdiction 8 during the period January 1, 2013, through December 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 WPS'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 October 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 WPS 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 1,993 Medicare hospital outpatient dental services with a diagnosis not related to cancer or physical trauma, totaling \$1,505,477, paid by WPS to providers in Jurisdiction 5 and Jurisdiction 8 during the period January 1, 2013, through December 31, 2014;
- selected a stratified random sample of 100 hospital outpatient dental services from the sampling frame;
- sent WPS the list of the 100 hospital outpatient dental services to determine whether they had already performed a medical review on those dental services; because WPS had performed a medical review on 2 of the 100 sample items, we requested the documentation for those sample items from WPS to evaluate them;
- 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 payments were paid correctly;

- 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 1,993 hospital outpatient dental services; and
- discussed the results of our audit with WPS officials.

See Appendix C for the details of our statistical sampling methodology and Appendix D 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 C: STATISTICAL SAMPLING METHODOLOGY

POPULATION

The population consisted of hospital outpatient dental services (1) that were not associated with a diagnosis related to cancer or physical trauma; (2) which were provided from January 1, 2013, through December 31, 2014; and (3) for which Medicare payments were made to providers in Jurisdiction 5 and Jurisdiction 8.

SAMPLING FRAME

The sampling frame consisted of 1,993 hospital outpatient dental services totaling \$1,505,477 for the period January 1, 2013, through December 31, 2014.

SAMPLE UNIT

The sample unit was a hospital outpatient dental service paid by WPS to providers in Jurisdiction 5 and Jurisdiction 8.

SAMPLE DESIGN

We selected a stratified random sample.

Stratum	Number of Services	Stratum Boundaries	Value
1	674	\$11.10 to less than \$634	\$77,766
2	715	\$634 to less than \$1,257	497,212
3	604	\$1,257 to \$12,474	930,499
Total	1,993		\$1,505,477

SAMPLE SIZE

We selected a sample of 100 dental services, 30 units from stratum 1, 30 units from stratum 2, and 40 units 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 674 for stratum 1, 1 to 715 for stratum 2, and 1 to 604 for stratum 3. After generating 30 random numbers for stratum 1, 30 random numbers for stratum 2, and 40 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 D: 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	674	\$77,766	30	\$3,762	30	\$3,762
2	715	497,212	30	20,845	27	18,854
3	604	930,499	40	59,403	38	56,591
Total	1,993	\$1,505,477	100	\$84,010	95	\$79,207

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

Point estimate	\$1,388,396
Lower limit	\$1,298,794
Upper limit	\$1,477,999

APPENDIX E: WISCONSIN PHYSICIANS SERVICE COMMENTS



Wisconsin Physicians Service Insurance Corporation
A CMS Medicare Contractor
1717 W. Broadway | P.O. Box 1787 | Madison, WI 53701-1787

February 1, 2016

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

RE: Office of Inspector General (OIG) Draft Report – A-06-15-00034

Dear Ms. Wheeler,

This letter is in response to the OIG draft report entitled *Wisconsin Physicians Service's Payments to Providers for Hospital Outpatient Dental Services in Jurisdiction 5 and Jurisdiction 8 Generally Did Not Comply With Medicare Requirements*.

Our objective was to determine whether the payments that WPS made to providers in Jurisdiction 5 and Jurisdiction 8 for hospital outpatient dental services complied with Medicare requirements.

Our review covered 1,993 hospital outpatient dental services, totaling \$1,505,477, paid by WPS to providers in Jurisdiction 5 and Jurisdiction 8 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.

The payments that WPS made to providers in Jurisdiction 5 and Jurisdiction 8 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 provider submitted its claims to a different Medicare contractor. The four remaining dental services complied with Medicare requirements. Using our sample results, we estimated that WPS improperly paid providers in Jurisdiction 5 and Jurisdiction 8 at least \$1,298,794 for hospital outpatient dental services that did not comply with Medicare requirements.

OIG Recommendations to WPS and WPS responses to Recommendations:

- *recover the \$1,298,794 in unallowable payments,*
- *use the results of this audit in its provider education activities, and*
- *revise dental edits already in place in its claims-processing system and reeducate its medical review team by including the results of this audit as part of the reeducation to ensure that payments made to providers for hospital outpatient dental services comply with Medicare Requirements.*

WPS Response to the OIG Recommendations:

- *recover the \$1,298,794 in unallowable payments,*



WPS Response:

WPS is in the process of determining the most efficient and accurate way to review, identify and process the unallowable payments. WPS will review the universe of claims for the time period involved. Our initial review identified claims that were incorrectly coded. However, when recoded the provider reimbursement for these claims did not change. Overpayments associated with claims that were paid incorrectly will be reprocessed and collected, as appropriate.

- *use the results of this audit in its provider education activities, and*

WPS Response:

WPS' Medical Review unit plans to use the results of this audit in its 1:1 provider education activities. WPS' Provider Outreach unit conducted an educational event on January 27, 2016, titled "Questionable Covered Services-Avoid Pre-Pay Reason Codes 50192 & 5DNTL". Along with other services, the teleconference will address dental services.

- *revise dental edits already in place in its claims-processing system and reeducate its medical review team by including the results of this audit as part of the reeducation to ensure that payments made to providers for hospital outpatient dental services comply with Medicare Requirements.*

WPS Response:

WPS' Medical Review unit revised our dental edits in November of 2014, and is reviewing all dental services submitted to Medicare for payment. Medical Review had discovered in October 2014, an error in our training materials for this service. Changes to the review process were made at that time and continue to be in place. As WPS reprocesses the claims identified in this audit, we will evaluate and complete any further education needed for our Medical Review staff.

If you have any questions or need additional information, please contact me at 402-995-0443.

Sincerely,



Mark DeFoil
Director, Contract Administration

CC: Ronda Jones, CMS
Wanda Jones, CMS
Robert Bernal, CMS
James Massa, CMS
Paul Garcia, OIG