

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MEDICARE CONTRACTORS' PAYMENTS
TO PROVIDERS FOR HOSPITAL
OUTPATIENT DENTAL SERVICES IN
JURISDICTIONS E AND F 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.*



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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 Jurisdictions E and F at least \$818,000 over 2 years 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. Appendix A lists previous reviews of hospital outpatient dental services. From January 1, 2013, through December 31, 2014, Medicare contractors paid providers in Jurisdiction E (American Samoa, California, Guam, Hawaii, Nevada, and Northern Mariana Islands) and Jurisdiction F (Alaska, Arizona, Idaho, Montana, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming) for hospital outpatient dental services that our preliminary analysis determined may be ineligible for Medicare payment.

OBJECTIVE

Our objective was to determine whether the payments that Medicare contractors made to providers in Jurisdictions E and F 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 (FISS).

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 (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.

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.

Noridian Healthcare Solutions, LLC, and Palmetto GBA

Noridian Healthcare Solutions, LLC (Noridian), was the Medicare contractor for Jurisdiction F during our entire audit period (January 1, 2013, through December 31, 2014). During a portion of our audit period (January 1, 2013, through September 12, 2013), Palmetto GBA was the Medicare contractor for Jurisdiction E. Effective September 13, 2013, Noridian assumed full responsibility as the Medicare contractor for providers in Jurisdiction E. Accordingly, we are addressing our recommendations to Noridian.

HOW WE CONDUCTED THIS REVIEW

Our review covered 2,326 hospital outpatient dental services, totaling \$1,299,654, paid by Medicare contractors for providers in Jurisdictions E and F 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.

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.

FINDINGS

The payments that Medicare contractors made to providers in Jurisdictions E and F for hospital outpatient dental services generally did not comply with Medicare requirements. Of the 100 dental services in our stratified random sample, 79 did not comply with Medicare requirements. For 13 of the dental services, Medicare contractors properly paid providers for the services. We did not review the remaining 8 dental services because the providers submitted claims to a different Medicare contractor.³ Using our sample results, we estimated that Medicare contractors improperly paid providers in Jurisdictions E and F at least \$818,609 for hospital outpatient dental services that did not comply with Medicare requirements.

For most of the 79 ineligible hospital outpatient dental services we reviewed, providers in Jurisdictions E and F billed Medicare for tooth socket repairs and extractions, which are not covered services.⁴ In addition, providers billed Medicare for unallowable x-rays.⁵ Tooth socket repairs, extractions, 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 gum repair or excision and oral evaluations.⁶

The providers that received the improper payments agreed that the Medicare contractor payments for hospital outpatient dental services did not comply with Medicare requirements. The most common response given by providers was that 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, the Medicare contractor incorrectly paid the claims. Some providers stated that the unallowable payments occurred because the dental services were missing information indicating that they were ineligible for Medicare payment. Other providers did not provide a reason for the billing errors. In addition, the Medicare contractors did not have sufficient edits in the FISS to prevent payment for the dental services that did not meet Medicare requirements.

WHAT WE RECOMMEND

We recommend that Noridian:

- recover the \$818,609 in unallowable payments,
- use the results of this audit in its provider education activities, and

³ Although the providers of these eight claims were located in Jurisdictions E or F, they were serviced by Wisconsin Physicians Service.

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

⁵ *Id.*

⁶ *Id.*

- implement system edits to ensure that payments made to providers for hospital outpatient dental services comply with Medicare requirements.

NORIDIAN HEALTHCARE SOLUTIONS, LLC, COMMENTS

In written comments on our draft report, Noridian concurred with our recommendations. Noridian stated that as of April 18, \$128,205 of the \$137,685 in overpayments identified in our sample had been collected and that it will continue to research and track debt collection on the remaining outstanding overpayments. In addition, Noridian stated that it will post an article on its Web site to notify providers of dental procedure codes and diagnosis codes that are excluded from Medicare coverage and that it will implement system edits to identify and deny routine dental procedures and diagnosis codes.

Noridian'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 2,326 hospital outpatient dental services, totaling \$1,299,654, paid by Medicare contractors to providers in Jurisdictions E and F 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 Noridian'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 May through December 2015.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- obtained an understanding of the Medicare requirements related to hospital outpatient dental services from Medicare officials;
- interviewed Noridian 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 2,326 Medicare hospital outpatient dental services with a diagnosis not related to cancer or physical trauma, totaling \$1,299,654, Medicare contractors paid to providers in Jurisdictions E and F 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;
- 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;

- 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 2,326 hospital outpatient dental services; and
- discussed the results of our audit with Noridian 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) which were not associated with a diagnosis related to cancer or physical trauma and (2) which were paid by Medicare contractors to providers in Jurisdictions E and F during the period January 1, 2013, through December 31, 2014.

SAMPLING FRAME

The sampling frame consisted of 2,326 hospital outpatient dental services totaling \$1,299,654, for the period January 1, 2013, through December 31, 2014.

SAMPLE UNIT

The sample unit was a Medicare hospital outpatient dental service paid by Medicare contractors to providers in Jurisdictions E and F.

SAMPLE DESIGN

We selected a stratified random sample.

Stratum	No. of Items	Stratum Boundaries	Dental Payments
1	1,935	Less than \$950	\$549,128
2	306	\$950 to less than \$1,900	454,869
3	85	Equal to or more than \$1,900	295,657
Total	2,326		\$1,299,654

SAMPLE SIZE

We selected a sample of 100 dental services, 40 from stratum 1, 30 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 1,935 for stratum 1, 1 to 306 for stratum 2, and 1 to 85 for stratum 3. After generating 40 random numbers for stratum 1, 30 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 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	1,935	\$549,128	40	\$10,084	32	\$7,715
2	306	454,869	30	44,902	21	31,404
3	85	295,657	30	111,008	26	98,566
Total	2,326	\$1,299,654	100	\$165,994	79	\$137,685

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

Point estimate	\$972,813
Lower limit	\$818,609
Upper limit	\$1,127,017

APPENDIX E: NORIDIAN HEALTHCARE SOLUTIONS, LLC, COMMENTS



900 42nd Street South
Fargo, ND 58103

April 27, 2016

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

Dear Ms. Wheeler:

Noridian Healthcare Solutions, LLC (Noridian) appreciates the opportunity to comment on the Office of Inspector General's (OIG) draft report entitled *Medicare Contractors' Payments to Providers for Hospital Outpatient Dental Services in Jurisdictions E and F Generally Did Not Comply With Medicare Requirements* (A-06-15-00036). As noted in the report, Noridian was the Medicare contractor for Jurisdiction F during the entire audit period; however, the responsibilities for the Jurisdiction E work reviewed in the audit transitioned from Palmetto GBA, LLC to Noridian in August 2013. Noridian assumes responsibility for all Jurisdiction E claims. Below are Noridian's comments and responses to the OIG's recommendations.

Noridian concurs with all of the recommendations outlined in this report.

OIG Recommendation: Noridian recover the \$818,609 in unallowable payments.

Noridian Response: Noridian agrees with the recommendation to recover the unallowable payments. As of April 18, \$128,205 of the \$137,685 identified overpayments in the sample of 100 claims tested have been collected. Adjustments will be made and demand letters will be issued as appropriate to collect the identified overpayments. Noridian will also continue to research and track debt collection activity on the remaining outstanding overpayments identified in the OIG's sampling frame.

OIG Recommendation: Use the results of this audit in its provider education activities.

Noridian Response: Noridian agrees with this recommendation and will post an article on the Jurisdiction E and Jurisdiction F Noridian Medicare webpage to notify all providers of the dental procedure codes and diagnosis codes that are excluded from Medicare coverage. Additionally, a static page will be created on the webpage to notify providers of the importance and guidelines of correctly billing outpatient dental services to Medicare. This information will be delivered by June 30, 2016.

A CMS Medicare Administrative Contractor



OIG Recommendation: Implement system edits to ensure that payments made to providers for hospital outpatient dental services comply with Medicare requirements.

Noridian Response: Noridian agrees with this recommendation and will implement system edits to identify and deny routine dental procedures and diagnosis codes within the Medicare Part A claims processing system, Fiscal Intermediary Standard System (FISS).

In summary, Noridian is aware of the concerns outlined in this draft report and is taking steps to address those concerns. We appreciate the opportunity to comment on this report and the recommendations. Should you have any additional questions on this response and Noridian's actions, please contact Paul O'Donnell at (701) 277-2401 or Paul.ODonnell@Noridian.com and Emy Stenerson at (701) 282-1356 or Emy.Stenerson@Noridian.com.

Sincerely,

/Paul O'Donnell/

/Emy Stenerson/

Paul O'Donnell
Senior Vice President and JE Project Manager

Emy Stenerson
Senior Vice President and JF Project Manager

cc: Pamela Bragg, JE COR, CMS
Amber Hedrick, JF COR, CMS
Tom McGraw, CEO and President of Noridian Healthcare Solutions, LLC