

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

For calendar years 2015 and 2016 (audit period), Medicare paid approximately \$1.3 billion for inhalation drugs provided to Medicare beneficiaries nation-wide. For the audit period, the Centers for Medicare & Medicaid Services' Comprehensive Error Rate Testing program, which measures improper Medicare fee-for-service payments, found that nebulizers and related drugs (i.e., inhalation drugs) were among the top 20 durable medical equipment, prosthetics, orthotics, and supplies with the highest improper payments. After analyzing Medicare claim data, we selected three suppliers for review. This report covers one of those suppliers, Liberty Medical, LLC (Liberty), which was among the top 20 suppliers that received the most in Medicare payments during our audit period.

Our objective was to determine whether Liberty complied with Medicare requirements when billing for inhalation drugs.

How OIG Did This Review

Our review covered 30,861 claim lines for inhalation drugs provided during our audit period, for which Liberty received Medicare payments of \$6.6 million. We reviewed a stratified random sample of 100 of these claim lines. For the sampled items, Liberty provided us with supporting documentation, which we reviewed to determine whether the inhalation drugs were properly billed. We did not determine whether the drugs were medically necessary.

Liberty Medical, LLC, Received Unallowable Medicare Payments for Inhalation Drugs

What OIG Found

Liberty did not always comply with Medicare requirements when billing for inhalation drugs. Of the 100 sampled claim lines, 94 complied with the requirements; however, the remaining 6 claim lines did not comply with the requirements. Specifically, Liberty did not provide us with medical records for four claim lines and did not have adequate proof-of-delivery documentation for two claim lines. As a result, Liberty received \$2,408 in unallowable Medicare payments.

On the basis of our sample results, we estimated that Liberty received at least \$47,526 in unallowable Medicare payments for inhalation drugs. These overpayments occurred because Liberty's policies and procedures and its order-processing system were not adequate to ensure that it met Medicare requirements for billing inhalation drugs.

What OIG Recommends and Liberty Comments

We recommend that Liberty (1) refund to the Medicare contractors \$47,526 in estimated overpayments for inhalation drugs; (2) exercise reasonable diligence to identify and return any additional similar overpayments outside of our audit period, in accordance with the 60-day rule, and identify any returned overpayments as having been made in accordance with this recommendation; (3) strengthen its policies and procedures to ensure that it can provide medical records for inhalation drugs when requested; and (4) improve its order-processing system to maintain adequate proof-of-delivery documentation.

Liberty disagreed with our findings and recommendations. For the four sampled claim lines for which it did not provide medical records, Liberty stated that the documentation provided was sufficient to establish medical necessity. In addition, Liberty provided additional proof-of-delivery documentation for six of the eight sampled claim lines we disallowed in our draft report. Although Liberty disagreed with our recommendations, it provided information on actions that it had taken or planned to take to address our second, third, and fourth recommendations.

We did not revise our first finding because the information contained directly in the medical record is the source required to justify payment and must be made available upon request. After reviewing the additional documentation that Liberty provided, we revised our second finding to reflect that there was inadequate proof-of-delivery documentation for two sampled claim lines and adjusted the refund amount in our first recommendation.