

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**Medicare Payments for  
Nail Debridement Services**



**JANET REHNQUIST**  
**Inspector General**

**JUNE 2002**  
**OEI-04-99-00460**

# ***OFFICE OF INSPECTOR GENERAL***

<http://www.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 OIG's Office of Audit Services (OAS) provides all 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 in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the Department.

## ***Office of Evaluation and Inspections***

The OIG's Office of Evaluation and Inspections (OEI) conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the Department, the Congress, and the public. The findings and recommendations contained in the inspection reports generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs.

## ***Office of Investigations***

The OIG's Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties. The OI also oversees State Medicaid fraud control units which investigate and prosecute fraud and patient abuse in the Medicaid program.

## ***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 in OIG's internal operations. The OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within the Department. The OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops model compliance plans, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

# EXECUTIVE SUMMARY

---

## PURPOSE

To determine the appropriateness of Medicare payments for nail debridement services.

---

## BACKGROUND

Podiatry is classified by Medicare as a single service speciality. Generally, this means podiatrists can be licensed to practice medicine within the limited scope of podiatry. While Medicare reimburses podiatrists for several hundred different services, nail debridement is by far the single largest paid service. It accounted for almost one-fourth (\$233 million of \$1 billion) of all Medicare payments to podiatrists in Calendar Year 2000.

We focused this inspection on determining the appropriateness of Medicare nail debridement payments. In doing so, we used a medical review contractor to examine beneficiary medical records to assure that payment was based on documented medical need. The contractor was a practicing podiatrist, and an active member of the American Podiatric Medical Association.

### **Nail Debridement**

Nail debridement involves removal of a diseased toenail bed or viable nail plate. This may be performed manually with an instrument, or with an electric grinder.

Podiatrists generally provide nail debridement to patients diagnosed with onychomycosis (i.e., mycosis or mycotic toenails). Mycosis is a chronic, communicable infection caused by a fungus which is particularly prevalent in elderly people.

---

## FINDINGS

### **Medicare Inappropriately Paid about \$96.8 Million for Nail Debridement and Related Podiatry Services**

Almost one-fourth (22.7 percent) of our sample nail debridement claims did not have adequate medical justification to support Medicare payment. We estimated that Medicare inappropriately paid \$51.2 million for nail debridements in Calendar Year 2000.

Furthermore, our sample showed more than half (60 percent) of the inappropriately paid nail debridement claims contained related podiatry services. When a nail debridement payment is determined to be inappropriate, all other podiatry payments for services related to the nail debridement are also inappropriate. The related services would not have been performed in absence of the nail debridement. Medicare paid \$45.6 million for such related services.

---

## RECOMMENDATIONS

In about one in every four cases, the medical need for nail debridement was not documented in beneficiaries' medical records. Further, more than half of the inappropriate nail debridement payments had other related inappropriate payments. Medicare inappropriately paid \$96.8 million for such services in Calendar Year 2000.

Even considering the possibility of poor documentation of medical records, the extent of the problem indicates close scrutiny is needed. At a minimum, the problem suggests medical records are not documented as required for Medicare payments. More seriously, it suggests that Medicare paid for services not needed and services not provided.

Accordingly, we recommend that CMS require:

- ▶ Medicare carriers to closely scrutinize payment for nail debridement services through medical reviews. Carriers should require podiatrists to adequately document the medical need for all nail debridement services.
- ▶ CMS carriers to collect the overpayment we found in our sample.
- ▶ CMS Regional Offices and carriers to educate podiatrists on Medicare policy for payment of nail debridement claims.

---

## AGENCY COMMENTS

The Centers for Medicare & Medicaid Services (CMS) commented on our draft report. They concurred with all recommendations. Specifically, CMS will continue to require contractors to maximize the effectiveness of their medical review strategy. CMS will also collect the overpayments identified in our sample, and educate podiatrists on Medicare policy for payment of nail debridement claims.

The full text of CMS' comments on our report are in Appendix B.

# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>4</b>
<b>FINDINGS</b>	
\$96.8 Million Inappropriately Paid for Podiatry Services .....	<b>9</b>
<b>RECOMMENDATIONS</b> .....	<b>12</b>
<b>AGENCY COMMENTS</b> .....	<b>13</b>
<b>APPENDIX A</b> Confidence Intervals .....	<b>14</b>
<b>APPENDIX B</b> CMS' Comments .....	<b>15</b>
<b>ACKNOWLEDGMENTS</b> .....	<b>17</b>

# INTRODUCTION

---

## PURPOSE

To determine the appropriateness of Medicare payments for nail debridement services.

---

## BACKGROUND

Medicare is a Federal health insurance program for individuals age 65 and older, and for certain categories of disabled people. Medicare was authorized in 1965 by Title XVIII of the Social Security Act. The Centers for Medicare & Medicaid Services (CMS) administers Medicare, the nation's largest health insurance program, covering approximately 39 million beneficiaries.

Under Medicare, podiatry is classified as a single service speciality. Generally, this means podiatrists can be licensed to practice medicine within the limited scope of podiatry. Some of the services that podiatrists may receive Medicare reimbursement for include nail debridement, surgical excision of affected nails, and topical treatment of the nail. Podiatry services performed within the scope of applicable State licenses are generally reimbursable under the Medicare program.

### Nail Debridement

Nail debridement involves the removal of a diseased toenail bed or viable nail plate. This may be performed manually with an instrument, or with an electric grinder.

Podiatrists generally provide nail debridement to patients diagnosed with onychomycosis (i.e., mycosis or mycotic toenails). Mycosis is a chronic, communicable infection caused by a fungus which is particularly prevalent in elderly people. Clinical evidence of mycotic nails can be demonstrated by one or more of the following conditions:

- ▶ nail hypertrophy - thickening of nail,
- ▶ discoloration of nail,
- ▶ subungual debris - situated under the nail, or
- ▶ onycholysis - loosening or separation of nail from the nail bed.

## Medicare Coverage of Nail Debridement

Medicare covers nail debridement when at least one of the following three conditions exists:

- ▶ Medicare covers nail debridement for beneficiaries with systemic conditions involving neurological or vascular diseases. Such conditions can cause severe circulatory problems or diminished sensation in the legs or feet.
- ▶ Medicare covers nail debridement for ambulatory beneficiaries with clinical evidence of mycosis of the toenail, marked limitation of ambulation, and pain. Additionally, ambulatory beneficiaries with a secondary infection resulting from one or more mycotic toenails may be covered.
- ▶ Medicare covers nail debridement for non-ambulatory beneficiaries with clinical evidence of pain or a secondary infection resulting from one or more mycotic toenails.

## Medicare Cost for Nail Debridement

Over the past 5 years, podiatry services have been among the top 25 Medicare reimbursable services. In Calendar Year 2000, Medicare payments to podiatrists exceeded \$1 billion, making them the highest reimbursed non-physician single service specialty group. This was more than double the reimbursements received by the second highest reimbursed group -- chiropractors.

Medicare reimburses podiatrists for several hundred different services, however nail debridement was by far the largest paid single service. In Calendar Year 2000, Medicare paid \$233 million for nail debridement services, accounting for almost one-fourth of about \$1 billion in total Medicare payments to podiatrists.

---

## METHODOLOGY

### Scope

We evaluated the medical necessity of nail debridement services in Calendar Year 2000. We contracted with a Podiatrist to review medical records for 110 randomly sampled nail debridement claims. The contractor also reviewed all other podiatry services that were performed on the same date as the nail debridement service to determine if they were related to the nail debridement.

## Sample Selection

We used the CMS 1 percent National Claims History File to identify Medicare nail debridement claims (CPT code 11720 and 11721) paid during the first quarter of Calendar Year 2000 (January 1, 2000 to March 31, 2000).<sup>1</sup> From this universe of 14,893 nail debridement claims, we selected a simple random sample of 120 claims for medical review.

Additionally, we determined that nail debridement claims paid by Medicare during Calendar Year 2000 were uniformly distributed among the four quarters. Therefore, the number of claims paid in the first quarter was typical of claims paid in each of the following three quarters. We based our determination of claims distribution on CMS data in the 100 percent National Claims History (NCH) file for Calendar Year 1999, and the 1 percent NCH file for Calendar Year 2000.

Because 99 percent of all Medicare nail debridement services are performed by podiatrists<sup>2</sup>, our sample resulted in only claims that had been submitted by podiatrists. However, several other types of physicians perform nail debridements.

## Data Collection

For the 120 sample claims, we requested podiatrists to furnish appropriate medical justification from patient medical records. Specifically, for the period July 1999 through June 2000, we requested:

1. Initial history and physical examination information,
2. All interim history and physical examinations,
3. Beneficiary evaluation or assessments,
4. Physician/consultation notes,
5. Medication and service order sheets, and
6. Nurses notes.

We reduced our sample by 2 claims (from 120 to 118) because the provider's identity was not readily apparent. The provider did not include a Unique Provider Identification Number (UPIN) on the claim.

---

<sup>1</sup>Includes all claims processed as of June 30, 2000.

<sup>2</sup>CMS Part B Extract and Summary System (BESS).

We further reduced our sample by 8 claims (from 118 to 110) because we could not verify that podiatrists actually received our request for beneficiary medical records. Attempting to assure that the podiatrists received our request, we mailed three separate requests. Receiving no response, we then attempted to request the patient records by telephone. However, the addresses shown in CMS files were either incorrect or no longer valid. In a final attempt, we searched for the podiatrists' telephone numbers by using various Internet search engines.

Table 1 summarizes our adjusted sample.

<b>Table 1</b>	
<b>Sample of Nail Debridement Claims</b>	
	Number
Simple Random Sample	120
Claims Excluded:	
Unable to verify provider -- no UPIN on claim	2
Unable to verify provider received medical record request	8
Claims Reviewed	110

Normally, CMS carriers should deny claims that do not have a UPIN, and claims for providers who fail to furnish requested medical documentation. While we are concerned about the validity of such claims, we did not, however, count the 10 that appear in our sample as an inappropriate payment. We simply excluded them from our analysis. This approach provides a more conservative estimate of inappropriate payments for nail debridement services.

Of the 110 podiatrists we contacted, 107 (97.3 percent) responded by providing the appropriate medical records. One of the podiatrists who did not provide the medical documentation told us that he could not find it. The remaining two did not respond to our request at all. Since we verified by telephone that our medical review request had in fact been received by the two podiatrists we considered their claims inappropriate for Medicare payment.

## Data Analysis

To determine the medical necessity of the 110 nail debridement claims, we used a medical review contractor. The contractor was a practicing podiatrist, and an active member of the American Podiatric Medical Association. The medical review contractor determined if the Medicare payments were appropriate. This determination was based on the medical necessity for nail debridement documented in the claim and in the medical records obtained from podiatrists. In making the determination of medical necessity, the contractor used CMS policy as criteria for allowed nail debridement service.

Additionally, for nail debridement claims that were determined to be inappropriately paid, the contractor reviewed all other podiatry services billed on the same date of service. The contractor determined whether or not the other services were related to, or independent of, the nail debridement service. If the service was related to the nail debridement, it would not have been performed if the nail debridement had not been performed. Therefore, given that the nail debridement service was inappropriately paid, any related podiatry services were also determined to be inappropriately paid.

We summarized the number of sampled claims that our medical review contractor determined to lack medical justification, and were therefore inappropriate for Medicare payment. We then projected this finding to all nail debridement payments by Medicare during the first quarter (January 1 through March 31) of Calendar Year 2000.

Next, we summarized the extent of related nail debridement services that our medical review contractor determined to be inappropriate based on a lack of medical justification for nail debridement. We then projected that finding to all nail debridement claims during the first quarter of Calendar Year 2000.

The nail debridement claims paid by Medicare during Calendar Year 2000 were uniformly distributed among the four quarters. Therefore, we estimated inappropriate Medicare payments for nail debridement services for the entire Calendar Year 2000. We did so by multiplying our first quarter results by four. Likewise, we estimated inappropriate payments for 5 years (Calendar Years 2000 through 2004) by multiplying our first quarter results by twenty. All calculations were computed using software for the Statistical Analysis of Correlated Data (SUDAAN) and SAS software.

---

We conducted this inspection in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency. We conducted our review from June 2000 to October 2001.

# FINDINGS

## Medicare Inappropriately Paid about \$96.8 Million for Nail Debridement and Related Podiatry Services

Almost one-fourth of our sample nail debridement claims did not have adequate medical justification. Additionally, more than half of the nail debridement claims lacking adequate medical justification had related services that were inappropriately paid.

### *Medicare inappropriately paid \$51.2 million for nail debridement services in Calendar Year 2000*

Almost 23 percent (25 of 110) of our sampled nail debridement claims did not have adequate medical justification to support Medicare payment.

Table 2 shows the number of nail debridement claims for which beneficiary medical records lacked medical justification.

<b>Table 2</b>		
<b>Nail Debridement Claims That Should Not Have Been Paid</b>		
Reason for Denying Payment	Claims	Percent
Claims Reviewed	110	100.0%
Medical Records Did Not Support Claim	19	17.3%
No Record That Service Was Provided	3	2.7%
Medical Records Not Provided to Justify Claim	3	2.7%
Claims Inappropriately Paid	25	22.7%

Of the 25 claims inappropriately paid, 19 (17.3 percent) were not medically justified because they did not contain sufficient documentation to demonstrate that the services were necessary. For example, several claims lacked a clinical description of the nails condition, while other claims lacked a diagnosis of mycosis.

Additionally, the medical records for three claims (2.7 percent) had no indication that nail debridement services were performed on the date claimed.

Finally, podiatrists did not furnish requested medical records to support another three nail debridement claims (2.7 percent). One of the three podiatrists said they could not find the beneficiary's medical record. The other two podiatrists did not respond to our requests.

We projected the inappropriate claims (22.7 percent) in our random sample to the 1,503,024 Medicare nail debridement claims submitted from January 1, 2000 through March 31, 2000.<sup>3</sup> Our projection showed that 341,186 claims totaling \$12.8 million were inappropriately paid during the 3-month period.

Since the number of nail debridement claims submitted in the second quarter of Calendar Year 2000 (1,503,024) was consistent with those submitted for the rest of the year<sup>4</sup>, we estimated that Medicare inappropriately paid \$51.2 million in Calendar Year 2000 for nail debridement claims. For a 5-year period (2000-2004), such inappropriate nail debridement payments would cost the Medicare Trust Fund \$256 million. See Appendix A for point estimates, confidence intervals, and cost estimates.

***Medicare inappropriately paid \$45.6 million for related podiatry services in Calendar Year 2000***

Our medical review identified 25 inappropriately paid related podiatry services. Fifteen inappropriately paid nail debridement claims contained the 25 related podiatry services.

Related podiatry services are other billable Medicare services associated with nail debridement. Related services conducted as a part of nail debridement services include debridement of skin - full thickness, paring or cutting lesions, and topical treatment of nails.

When payment for nail debridement is determined to be inappropriate, all other payments for services related to that nail debridement are also inappropriate. Related services would not be performed unless nail debridement was performed. Conversely, appropriate support of the need for nail debridement would also support the need for related services.

We projected the 25 inappropriate payments for related podiatry services from our sample of 110 claims to the 1,503,024 Medicare nail debridement claims submitted from January 1, 2000 through March 31, 2000. Our projection showed inappropriate Medicare payments of \$11.4 million for the 3-month period.

---

<sup>3</sup> CMS' 100 percent National Claims History File, as of June 30, 2000.

<sup>4</sup> CMS' 1 percent National Claims History File data for Calendar Year 2000.

Since the number of nail debridement claims submitted in the first quarter of Calendar Year 2000 were consistent with those submitted for the rest of the year, we estimated that Medicare inappropriately paid \$45.6 million for related podiatry services in Calendar Year 2000. For a 5-year period (2000-2004), inappropriate related service payments would cost the Medicare Trust Fund \$228 million. See Appendix A for point estimates, confidence intervals, and cost estimates.

## RECOMMENDATIONS

In about one in every four cases, the medical need for nail debridement was not documented in beneficiaries' medical records. Further, more than half of the inappropriate nail debridement payments had other related inappropriate payments. Medicare inappropriately paid about \$96.8 million for such services in Calendar Year 2000.

Even considering the possibility of poor documentation of medical records, the extent of the problem indicates close scrutiny is warranted. At a minimum, the problem suggests medical records are not documented as required for Medicare payments. More seriously, it suggests that Medicare paid for services not needed and services not provided.

Accordingly, we recommend that CMS require:

- ▶ Medicare carriers to closely scrutinize payment for nail debridement services through medical reviews. Carriers should require podiatrists to adequately document the medical need for all nail debridement services.
- ▶ CMS carriers to collect the overpayment we found in our sample.
- ▶ CMS Regional Offices and carriers to educate podiatrists on Medicare policy for payment of nail debridement claims.

## AGENCY COMMENTS

The Centers for Medicare & Medicaid Services (CMS) commented on our draft report. They concurred with all recommendations.

CMS is taking a proactive approach in addressing the recommendations in our report. Specifically, they highlighted three initiatives they are implementing:

- ▶ CMS will share this report with the contractors in their next vulnerability report. In addition, CMS will work with their contractors and the podiatry community to ensure that podiatrists understand Medicare's documentation requirements for nail debridement services.
- ▶ CMS will direct the appropriate Medicare carriers to recover overpayments for the nail debridement services mentioned in our report.
- ▶ CMS will issue a standard article on Medicare nail debridement payment policy and post the article on contractor and CMS Web sites.

The full text of CMS' comments on our report are in Appendix B.

## APPENDIX A

January - March 2000 Point Estimate and Confidence Intervals			
	Point	Lower 95%	Upper 95%
Nail Debridement	\$12.8 million	\$8.3 million	\$17.3 million
Related Services	\$11.4 million	\$5.8 million	\$17.1 million
Total	\$24.2 million	\$14.1 million	\$34.4 million

Estimated Inappropriate Medicare Payments			
Period	Nail	Related	Total
Jan - Mar 2000 Projection	\$12.8 million	\$11.4 million	\$24.2 million
Annual Estimate	\$51.2 million	\$45.6 million	\$96.8 million
5 Year Estimate	\$256.0 million	\$228.0 million	\$484.0 million

\*Projections and estimates are based on a medical review of 110 podiatry claims

# APPENDIX B

 DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services

RECEIVED  
MAR 14 11:00 AM '02  
OFFICE OF INSPECTOR GENERAL

Administrator  
Washington, DC 20201

DATE: MAR 14 2002

TO: Janet Rehnquist  
Inspector General

FROM: Thomas A. Scully  
Administrator

SUBJECT: Office of Inspector General (OIG) Draft Report: *Medicare Payments for Nail Debridement Services* (OEI-04-99-00460)

3/14/02

Thank you for the opportunity to review and comment on the above-referenced draft report, which describes carriers' success at detecting and preventing inappropriate payments for nail debridement services. The OIG report disclosed that in calendar year 2000: 1) about 23 percent of all nail debridement claims were not supported by medical justification; 2) 48 percent of the inappropriate nail debridement claims had related podiatry services billed on the same date; and 3) 36 percent of beneficiaries said they did not receive nail debridement services.

We appreciate the effort that went into this report and the opportunity to review and comment on the issues it raises. We agree with OIG's recommendations, and our detailed comments follow:

OIG Recommendation  
The Centers for Medicare & Medicaid Services (CMS) should instruct Medicare carriers to conduct focused medical reviews in order to identify and collect nail debridement overpayments.

CMS Response  
We concur. The CMS requires each contractor to develop a medical review strategy to determine where medical review resources should be deployed in order to maximize their effectiveness. Our contractors are required to perform ongoing data analysis using a variety of sources to identify errors that pose the greatest financial risk to the Medicare program. We will share this report in our next contractor vulnerability report. In addition, we will work with our contractors and the podiatry community to ensure that podiatrists understand Medicare's documentation requirements for these services.

OIG Recommendation  
The CMS should instruct Medicare carriers to recoup all Medicare payments made to providers identified in OIG's sample whose claims did not have adequate medical justification to support payment.

Page 2 - Janet Rehnquist

CMS Response

We concur. The CMS will direct the appropriate Medicare carriers to recover the overpayments for the nail debridement services mentioned in the OIG sample. The report in question is a draft and will not be sent to the regional offices (ROs) at this time. After issuance of the final report, OIG will be required to furnish the data necessary (provider numbers, claims information, health insurance claim numbers, etc.) for the Medicare contractors to initiate and complete recovery action. At that time, we will forward to the ROs for appropriate action the final report and information needed by the Medicare contractors to recover the overpayments. We will also forward the identity of the OIG person to be contacted if any questions arise.

OIG Recommendation

The CMS should instruct regional offices and Medicare carriers to educate podiatrists on Medicare policy for payment of nail debridement claims.

CMS Response

We agree that educating podiatrists regarding Medicare payment policy for nail debridement would reduce the number of incorrectly or inappropriately billed nail debridement claims. The CMS will issue a standard article on this issue to be placed in our contractors' quarterly provider bulletins, posted on their Web sites, and posted on our MedLearn Web site.

# ACKNOWLEDGMENTS

This report was prepared under the direction of Jesse J. Flowers, Regional Inspector General for Evaluation and Inspections in the Atlanta Regional Office and Graham D. Rawsthorn, Assistant Regional Inspector General. Other principal Office of Evaluation and Inspections staff who contributed include:

## **Region**

Rodney Holliman, *Lead Analyst*  
Dwayne Grant, *Team Leader*  
Robert Gibbons, *Program Analyst*  
Gerius Patterson, *Program Analyst*

## **Headquarters**

Stuart Wright, *Program Specialist*