

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**LITTLE COMPANY OF MARY'S  
SKILLED NURSING FACILITIES  
BILLINGS AND COSTS FOR  
ANCILLARY MEDICAL SUPPLIES  
FOR THE PERIOD JULY 1, 1992  
THROUGH JUNE 30, 1994**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the HHS/OIG/OAS. Final determination on these matters will be made by authorized officials of the HHS operating divisions.



**JUNE GIBBS BROWN  
Inspector General**

August 1997  
A-09-96-00083



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

AUG 19 1997

Region IX  
Office of Audit Services  
50 United Nations Plaza  
San Francisco, CA 94102

CIN: A-09-96-00083

Ms. Jacqueline Anderson  
General Manager  
Medicare Program  
Blue Cross of California  
P.O. Box 9140  
Oxnard, California 93031-9140

Dear Ms. Anderson:

This report provides you with the results of an Office of Inspector General (OIG) audit of Little Company of Mary Health Services' (Little Company of Mary) billings to Medicare for ancillary medical supplies and its associated costs as claimed on the Medicare cost reports of its two hospital-based skilled nursing facilities (SNFs) for fiscal years ended (FYE) June 30, 1993 and June 30, 1994.

During this 2-year period, Little Company of Mary billed Medicare about \$3.1 million for ancillary medical supplies and services (i.e., medical supplies not included in the patient's daily routine care) and claimed costs of about \$1.3 million for these supplies and services for these two SNFs. It also billed Medicare about \$1.6 million for ancillary pharmacy supplies and claimed costs of about \$600,000 for these pharmacy items.

The objective of our review was to determine if unallowable charges had been billed to Medicare and if inappropriate costs had been claimed on the cost reports for ancillary medical supplies.

According to Medicare reimbursement rules, supplies and services that can be considered ancillary are limited to only those supplies and services that are directly identifiable to an individual patient, furnished at the direction of a physician because of special medical needs, and are either not reusable, represent a cost for each preparation, or are complex medical equipment.

We found that Little Company of Mary billed Medicare for medical supplies and pharmacy supplies that were not in compliance with Medicare's rules and misclassified significant costs on the Medicare cost reports. As a result, the two SNFs may have been overpaid by Medicare. We did not quantify the impact of the unallowable billings or misclassified costs as our review was limited to determining what types of supplies and services were

billed as ancillary or claimed as ancillary costs and were unallowable as such.

Little Company of Mary's interpretation of what was considered to be a routine medical supply and an ancillary medical supply, as reflected in its master lists, differed from the Medicare rules.

We recommend that Blue Cross of California, the fiscal intermediary (FI), ensure that Little Company of Mary:

- ▶ Receives additional guidance as to the classification of routine and ancillary medical supplies,
- ▶ Reviews its master lists for both SNFs to identify and correct all of its classifications of routine medical supplies and pharmacy items that should not be classified as ancillary,
- ▶ Determines the fiscal impact for both facilities for incorrectly billing and claiming costs for routine medical supplies and pharmacy items as ancillary,
- ▶ Makes an appropriate refund to Medicare for any overpayments resulting from misclassifications for the period July 1, 1992 through June 30, 1996,
- ▶ Provides that its cost report for FYE June 30, 1997, when filed, accurately claims ancillary medical supply and pharmacy item costs,
- ▶ Does not bill future routine medical supplies and pharmacy items as ancillary or claim routine costs as ancillary.

In its response, Little Company of Mary generally agreed with the basis of our draft report and our recommendations but did not agree with the classifications of some medical supply items. It provided additional material to support its position. After reviewing Little Company of Mary's material and consulting with Blue Cross of California, we reduced our original list of 39 routine items we identified on Little Company of Mary's master list to 28 items that should not have been classified as ancillary.

Little Company of Mary stated that it was not provided with specific guidance for the classification of medical supply items as routine or ancillary and that this resulted in various classifications for a single item or supply. Little Company of Mary stated in its response that it has begun corrective action to improve compliance with Medicare rules concerning the classification of medical supply items.

Blue Cross of California, the FI, concurred with our findings and recommendations and plans to provide training on and additional audits of the issues raised in our report. Little Company of Mary's and the FI's comments are attached as appendices.

## INTRODUCTION

### Background

As part of the Department of Health and Human Services' efforts to combat fraud, waste, and abuse, the OIG, in partnership with the Health Care Financing Administration (HCFA) and the Administration on Aging, undertook an initiative called Operation Restore Trust. This project was designed to specifically target Medicare and Medicaid abuse and misuse in nursing home care, home health care, and durable medical equipment, three of the fastest growing areas in Medicare.

The OIG's audit of the Little Company of Mary SNFs was one of several conducted in a national review of ancillary medical supplies. States included in this review were California, Florida, Illinois, New York, and Texas. We selected the Little Company of Mary for this review because the medical supply costs at one of its hospital-based SNFs were significantly higher than other SNFs of similar size in California.

Little Company of Mary, a corporation, was located in Torrance, California. It owns two hospital-based SNFs in that area. One is the Little Company of Mary Pavilion SNF (Mary Pavilion) and other is San Pedro Pavilion SNF (San Pedro). Staff at Little Company of Mary billed Medicare, prepared the cost reports, and provided other financial and accounting services to the two SNFs.

Medicare generally reimburses SNFs on a reasonable cost basis as determined under principles established in the law and regulations. In order to determine their reasonable costs, providers are required to submit cost reports annually, with the reporting period based on the provider's fiscal accounting year. The SNFs are paid on an interim basis (based upon their billings to Medicare), and the cost report is used to arrive at a final settlement amount. Costs are classified on the cost report as either routine or ancillary.

Routine services are generally those services included by the provider in a daily service--sometimes referred to as the "room and board" charge. Included in routine services are the regular room, dietary and nursing services, minor medical and surgical supplies, and the use of certain equipment and facilities for which a separate charge is not customarily made.

According to Medicare rules, ". . . the following types of items and services. . . are always considered routine in an SNF for purposes of Medicare cost apportionment, even if customarily considered ancillary by an SNF:

" 0 All general nursing services, including administration of oxygen and related medications. . .handfeeding, incontinency care, tray service, enemas, etc.

" 0 Items which are furnished routinely and relatively uniformly to all patients, e.g., patient gowns, paper tissues, water pitchers, basins, bed pans, deodorants, mouthwashes.

" 0 Items stocked at nursing stations or on the floor in gross supply and distributed or utilized individually in small quantities, e.g., alcohol, applicators, cotton balls, bandaids, antacid, aspirin, (and other nonlegend drugs ordinarily kept on hand), suppositories, tongue depressors.

" 0 Items which are utilized by individual patients but which are reusable and expected to be available in an institution providing an SNF level of care, e.g., ice bags, bed rails, canes, crutches, walkers, wheelchairs, traction equipment, other durable medical equipment (DME) which does not meet the criteria for ancillary services in SNFs under §2203.2, and the requirements for recognition of ancillary charges under §2203....

" 0 Special dietary supplements used for tube feeding or oral feeding, such as elemental high nitrogen diet, even if written as a prescription item by a physician...." (Provider Reimbursement Manual, section 2203.1)

Ancillary services are those services directly identifiable to individual patients, such as laboratory, radiology, drugs, medical supplies, and therapies. Section 2203.2 of the Provider Reimbursement Manual, effective during our audit period,<sup>1</sup>

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<sup>1</sup> This section was revised effective March 1995. The phrase "furnished at the direction of a physician because of specific medical needs" (see above) was replaced by "not generally furnished to most patients." In addition, "Support Surfaces" was added as another option for the third requirement.

specified that certain items and services could be considered ancillary if they met each of the following three requirements:

" 0 direct identifiable services to individual patients, and

" 0 furnished at the direction of a physician because of specific medical needs, and

"0 one of the following:

- Not reusable - e.g., artificial limbs and organs, braces, intravenous fluids or solutions, oxygen (including medications), disposable catheters;

- Represent a cost for each preparation, e.g., catheters and related equipment, colostomy bags, drainage equipment, trays and tubing; or

- Complex medical equipment - e.g., ventilators, intermittent positive pressure breathing (IPPB) machines, nebulizers, suction pumps, continuous positive airway pressure (CPAP) devices, and bead beds such as air fluidized beds."

Medicare pays its portion of a provider's reasonable costs based upon an apportionment between program beneficiaries and other patients so that Medicare's share of the costs is based on services received by Medicare beneficiaries. For routine costs, Medicare's share is determined on the basis of a ratio of Medicare patient days to total patient days. For ancillary costs, Medicare's share is determined on the basis of the ratio of total covered beneficiary charges for ancillary services to total patient charges for such services.

Classifying costs as ancillary rather than as routine can result in higher Medicare reimbursement to SNFs because of two factors. First, SNFs generally have higher Medicare utilization for ancillary services than for routine services. That is, Medicare eligible patients generally receive more ancillary services than other patients but comprise a smaller portion of the total number of patients. Thus, Medicare's share of ancillary costs is usually greater than its share of routine costs. Second, Federal law (specifically, section 1888 of the Social Security Act) limits Medicare reimbursement for SNFs' routine costs to 112 percent of the mean operating costs of other similar SNFs. Thus, Medicare does not share in routine costs exceeding the Federal limit, unless the provider applies for and receives an exception or exemption from HCFA.

The HCFA administers the Medicare program and designates certain fiscal intermediaries to perform various functions, such as processing Medicare claims, performing audits, and providing consultative services to assist SNFs as providers. Blue Cross of California served as the FI for Little Company of Mary from July 1, 1992 through June 30, 1996.

### **Objectives, Scope and Methodology**

The objective of our review was to determine if unallowable charges had been billed to Medicare and if inappropriate costs had been claimed on the cost reports for ancillary medical supplies for the two SNFs during the 2-year period ended June 30, 1994.

The Little Company of Mary billed Medicare \$1,445,525 for ancillary medical supplies for FYE June 30, 1993 and \$1,698,586 for FYE June 30, 1994 (a total of \$3,144,111 for both years). It claimed \$704,440 as costs for these supplies for FYE June 30, 1993 and \$549,451 for FYE June 30, 1994 (a total of \$1,253,891 for both years). It also billed Medicare \$678,958 for ancillary pharmacy supplies for FYE June 30, 1993 and \$879,774 for FYE June 30, 1994 (a total of \$1,558,732). It claimed \$369,378 as costs for these pharmacy items for FYE June 30, 1993 and \$189,986 for FYE June 30, 1994 (a total of \$559,364).

To accomplish our objective, we reviewed a judgmental sample of 602 line items totaling \$51,201 that were billed to Medicare as ancillary medical supplies and discussed billing procedures with Little Company of Mary's billing staff. We also reviewed 221 line items for pharmacy billings (totaling \$8,607). Each line item was a separately identifiable product or service. To select our sample of the billings, we chose several Medicare patients and then reviewed all medical supply and pharmacy charges to Medicare for those patients.

We also reconciled the amount claimed on the Medicare cost reports for ancillary medical supplies to the accounting records. We examined judgmental samples of 321 ancillary medical supply line items totaling \$29,493 that were treated as ancillary medical supply costs and 63 line items totaling \$1,241 that were treated as ancillary pharmacy costs. For our sample of costs, we selected invoices of those vendors that appeared to us to account for the most costs in each account. Because our samples were judgmental, we cannot project the results of our sample to the total billings or costs claimed.

In addition, we gained an understanding of Little Company of Mary's accounting system through discussions with reimbursement and accounting staff at Little Company of Mary.

We relied on the FI's medical review staff to determine whether the sampled items were properly classified as ancillary using Medicare's guidelines for the period under review.

Our review was made in accordance with generally accepted government auditing standards. The fieldwork was performed at the Little Company of Mary in Torrance, California during July and August 1996.

#### FINDINGS AND RECOMMENDATIONS

We found that routine medical supply items were billed to Medicare as ancillary medical supplies and as ancillary pharmacy supplies. Of the 602 line items billed as ancillary medical supplies that we examined, we found that 64 line items, about 11 percent, were actually routine medical supplies and should not have been billed to Medicare. The inappropriate billings totaled \$1,745, or about 3 percent of the total amount we examined (\$51,201). Most of these were intravenous (IV) pump and pole rentals at Little Mary Pavilion which were improperly billed to Medicare as ancillary medical supplies.

The routine medical supplies billed to Medicare as ancillary medical supplies included the following:

Alcohol prep pads,	IV pump rental,
Alcohol swabs,	Kangaroo, (feeding)bags,
Battery, alkaline g-volt,	PVD Swabs,
Boxes of Gloves,	Slippers,
Gelan zinc oxide,	Rolls of Tape,
Heel protector,	Transpore tape.
IV pole rental,	

Of the 221 line items billed as ancillary pharmacy items that we examined, we found that 75 line items, about 34 percent, were actually routine supplies and should not have been billed to Medicare as ancillary pharmacy items. The inappropriate billings for ancillary pharmacy items totaled \$3,002, or about 35 percent of the total amount we examined (\$8,607). Most of this amount was pharmacy billings to Medicare for non-covered food supplements at San Pedro Pavilion. The pharmacy billings to Medicare included the following routine items:

Acetaminophen 325 mg tablet	Dss 100 mg capsule,
Acetaminophen 650 mg suppository	DSS 250 mg capsule,
Betadine ointment,	Ensure (food supplement),
Biscadoyl 10 mg suppository,	Ferrous sulfate (vitamin),
Casara sagrada elixir,	Folic acid (vitamin)
DSS/c capsule (laxative),	Hydrogen peroxide, 3% 240 ml
	Jevity (food supplement),

Keri 195ml (hand cream),	supplement),
Kleenex,	Oyst-cal 500 mg (vitamin)
Milk of magnesia,	Oyster cal w/vitamin D OTC
Multi vitamins,	Thiamine hcl 100 mg (vitamin)
Osmolite 1000 ml (food	Tylenol 325 mg tablet.

In addition to the improper billings, we found that costs for routine medical supplies and pharmacy items were misclassified as ancillary costs on the Medicare cost reports of the two SNFs. Of the 321 line items of ancillary medical supply costs that we examined, we found that 89 items, or about 28 percent, were actually routine medical supplies and should not have been included as ancillary medical supply costs for Medicare. The inappropriate costs for ancillary medical supplies totaled \$4,163, or about 14 percent of the total amount we examined (\$29,493). The ancillary medical supply costs included the following routine items:

A&D Ointment,	IV pole rental,
Admission kit,	Micropore tape,
Aloe Vesta,	Milk of magnesia,
Bandage, sheer,	Multi-vitamins,
Battery, g-volt,	Mylanta,
comb,	PVD prep pads,
Disinfectant foam,	Razor,
Emery board,	Sponge, non-sterile,
Enema,	Swabs,
Gloves,	Toothbrush,
Green clamp,	Toothpaste,
Isolation gown,	Washcloth.
IV pump rental,	

Of the 63 line items of pharmacy costs that we examined, we found that 15 items, or about 24 percent, were actually routine supplies and should not have been included as ancillary pharmacy costs for Medicare. The inappropriate costs for ancillary pharmacy items totaled \$83, or about 7 percent of the total amount we examined (\$1,241). The ancillary pharmacy costs included the following routine items:

Acetaminophen,	Ferrous sulfate,
Biscodyl,	Milk of magnesia,
Casara sagrada elixir,	Multi-vitamin,
DSS Capsules,	Oyster-Cal w/vit. D,

Because our samples were not chosen in a random manner, the results we noted may not necessarily be representative of the total ancillary billings or costs included as ancillary on the cost reports.

Under Medicare's rules (see pages 3 and 4 of this report), items and services furnished routinely to all patients should always be

considered routine. In order to be classified as ancillary, the item or service must be directly identifiable to an individual patient, furnished at the direction of a physician because of special medical needs, and be either not reusable, represent a cost for each preparation, or be complex medical equipment.

The billings and costs we identified were for supplies or services that did not meet the specific requirements for treatment as ancillary medical supplies or ancillary pharmacy items. As a result, Medicare may have overpaid Little Company of Mary's two SNFs. We did not quantify the impact of the unallowable billings or costs as our review was limited to determining what types of supplies were billed as ancillary or claimed as ancillary costs and were not allowable as such.

The improper billings and cost classifications occurred because Little Company of Mary allowed its staff to interpret the Medicare rules and regulations as to the classification of supplies as routine or ancillary. We found that some of the staff's interpretations resulted in improper ancillary medical supply billings and in the misclassification of routine supply costs.

These interpretations were also reflected in its master lists for both SNFs (including the current version used at the time of our review) that classified each medical supply item as routine or ancillary according to Medicare's rules. We noted 28 routine medical supplies that were classified as ancillary on its master list:

Alcohol prep pads	Gloves
Alcohol swabs	Hibiclens
Band-aids	IV pump
Betadine solution	Instant cold pack
Betadine swabs	Isolation gown
Bucket enema	Lemon glycerin swabs
Central services supply	Microfoam tape
Cream critic aid	Micropore tape
Dri-flo pads	Mittens finger control
Elbow-heel protector	Pink tape
Enema bucket & soap	Selan zinc oxide
Enteral feeding	Suction machine
Gauze, non-sterile	Supplemental protein drinks
Gauze sponge	Transpore tape

This list does not represent all of the items on Little Company of Mary's master lists that may be incorrect. Little Company of Mary will need to review its master lists for both SNFs to identify all improper classifications.

### **Recommendations**

We recommend that Blue Cross of California ensure that Little Company of Mary:

- ▶ Provides additional guidance as to the classification of routine and ancillary medical supplies,
- ▶ Reviews its master lists for both SNFs to identify and correct all of its classifications of routine medical supplies and pharmacy items that should not be classified as ancillary,
- ▶ Determines the fiscal impact for both facilities for incorrectly billing and claiming costs for routine medical supplies and pharmacy items as ancillary,
- ▶ Makes an appropriate refund to Medicare for any overpayments resulting from misclassifications for the period July 1, 1992 through June 30, 1996,
- ▶ Provides that its cost report for FYE June 30, 1997, when filed, accurately claims the costs of ancillary medical supplies and pharmacy items,
- ▶ Does not bill future routine medical supply items as ancillary or claim routine costs as ancillary.

### **Little Company of Mary's Comments**

Little Company of Mary generally agreed with the basis of our draft report and our recommendations but did not agree with the classifications of some of the specific medical supply items. It provided additional documentation to support its position on these items.

Little Company of Mary said that the FI had not issued any specific guidance prior to March 31, 1997, the date Blue Cross of California published Bulletin 406, regarding the classification of items as routine or ancillary. It said that contact with the FI prior to our audit regarding medical supplies resulted in a recommendation from the FI to rely on its past claims history to determine whether an item or supply was properly reimbursed as routine or ancillary.

Little Company of Mary stated that the manual criteria was subject to significant interpretation and that Bulletin 406 contained inconsistencies. Because of the possible interpretations of the manual and inconsistencies in Bulletin 406, Little Company of Mary stated that confusion existed that could result in various classifications for a single item or supply.

Little Company of Mary noted that its providers were subjected to a focused medical review during the audit period and that the FI clearly approved the providers' classifications of its items and supplies. It further maintained that those aspects of the Bulletin 406 which are in conflict with the FI'S previous determinations reflect new policies which may not be applied retroactively for purposes of a disallowance.

Little Company of Mary said that it has taken corrective action to make changes to the master list for each SNF, provide training to its staff, and provide monitoring to ensure compliance with the Medicare rules and regulations regarding ancillary medical supplies.

#### **OIG Comments**

As a result of our review of Little Company of Mary's comments, we reduced the number of items that we classified as routine from the 39 in our original report to 28. Little Company of Mary agreed to remove the pharmacy items that we identified as routine supplies from its master lists.

Regarding the lack of guidance that Little Company of Mary cited, we confirmed that prior to Bulletin 406, the FI had not issued a specific bulletin classifying medical supplies as either routine or ancillary. Instead, the FI relied on the explanations in the Medicare rules and regulations which are contained in the Provider Reimbursement Manual.

Some of the items Little Company of Mary billed to Medicare as ancillary medical supplies or claimed as ancillary medical supply costs were specifically listed in the Provider Reimbursement Manual as routine. For example, enemas, gowns, alcohol applicators, and bandaids were specifically listed in the Provider Reimbursement Manual section 2203.1 as routine. Yet, these items were found among those billed to Medicare, claimed as ancillary medical supply costs, or listed on its master lists.

Regarding Little Company of Mary's claim that the FI had reviewed medical supply costs in the past, officials at Blue Cross of California told us that no such review of medical supplies had been done at Little Company of Mary. When we requested that Little Company of Mary provide us with documentation to support its statement of this prior review, it did not do so.

Our review, the FI'S classifications, and Blue Cross of California's Bulletin 406 did not reflect new policies. The recently issued bulletin served to confirm existing Medicare rules and regulations. To the extent that Little Company of Mary is found by the FI to have been out of compliance with the rules and regulations for medical supply costs or billings that existed

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during the audit period, adjustments to these costs and billings will be appropriate.

**FI's Comments**

Blue Cross of California concurred with our findings. It plans to provide educational training regarding the issues raised and to make sure there are no improper billings in the future.

Blue Cross of California plans to request from Little Company of Mary a list of charges made for the audit period and to evaluate the need to reopen cost reports for the periods or make adjustments. In addition, it plans on auditing this reimbursement area in upcoming audits to ensure that the provider is complying with our findings and recommendations.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination. To facilitate identification, please refer to the common identification number A-09-96-00083 in all correspondence relating to this report.

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In accordance with the principles of the Freedom of Information Act (Public Law 90-23), Office of Inspector General, Office of Audit Services reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent that the information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

Sincerely yours,



Lawrence Frelot  
Regional Inspector General  
for Audit Services

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**Direct Reply to HHS Action Official:**

Allysson Blake  
(Acting) Associate Regional Administrator for Medicare  
Health Care Financing Administration  
75 Hawthorne Street, 5<sup>th</sup> Floor  
San Francisco, California 94105-3901

## APPENDICES



**Blue Cross**  
of California

An Independent Licensee of the  
Blue Cross Association

Federal Medicare Intermediary

21555 Oxnard Street  
Woodland Hills, California 91367

March 20, 1997

Douglas Leonard  
OIG Office of Audit Services  
50 United Nations Plaza  
San Francisco, CA 94102

RE: A-09-96-00083 - Little Company of Mary Health Services

Dear Mr. Leonard:

This is in response to your letter dated March 6, 1997 to Jacqueline Anderson. We reviewed the draft audit report on Little Company of Mary Health Services and the following are our comments:

1. We concur with your findings on the unallowable charges billed to Medicare and the unallowable charges claimed on the cost reports.
2. We plan to provide the provider with educational training regarding the issues raised in your letter and to make sure there are no improper billings in the future.
3. We plan to request from the provider a list of all charges made for the period of July 1, 1992 to June 30, 1996, so we may determine if cost report reopenings and/or adjustments are necessary.
4. Audit this reimbursement area in an upcoming audit after the training to ensure the provider is complying with your findings and recommendations

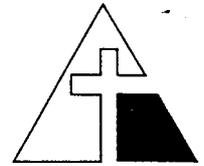
We will start the implementation of the above items when we receive the your final audit report.

If you have any questions, please call Jeff McVicker at (818) 703-2833.

Sincerely,

A handwritten signature in cursive script that reads "Janie Solomon".

Janie Solomon, Manager  
Home Health & Hospice/ESRD



Little  
Company  
of Mary  
Health  
Services

4101 Torrance Blvd.  
Torrance, CA 90503

(310) 540-7676

May 6, 1997

**FEDERAL EXPRESS**

Mr. Lawrence Frelot  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services  
50 United Nations Plaza  
San Francisco, California 94 102

**San Pedro Peninsula Hospital and  
Little Company of Mary Hospital Pavilions  
ANCILLARY/ROUTINE SUPPLY AUDIT  
Common Identification No. A-06-96-00083**

Dear Mr. Frelot:

We are writing this letter in response to the Office of Inspector General's ("OIG") audit of the above referenced skilled nursing facility providers--Little Company of Mary Hospital Pavilion ("LCMH Pavilion") and San Pedro Peninsula Hospital Pavilion ("SPPH Pavilion") (collectively, the "Providers").

As described in the March 6, 1997 draft audit report submitted by the OIG to Blue Cross of California (the "Intermediary"), the OIG has conducted a review of the Providers' Medicare cost reports for the periods ending June 30, 1993 and June 30, 1994. Based on this review, the OIG has concluded that the Providers inadvertently billed for certain "routine supplies" as "ancillary supplies." As described by the OIG, "the improper billings and cost classifications occurred because Little Company of Mary had not adequately maintained its master lists for both SNFs that classified each medical supply items as routine or ancillary according to Medicare's rules."

In light of the OIG's above conclusion, the Provider has performed a detailed review of those specific claims identified in the OIG audit. The purpose of this review was to (1) analyze the appropriateness of the Providers' existing charge master, (2) assess whether

Mr. Lawrence Frelot

May 6, 1997

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charge master changes are required, (3) determine the need for future Provider training to ensure ongoing compliance with all Medicare rules, regulations and policies and (4) validate or refute OIG's categorization of those specific supplies at issue. The results of the Providers' review is set forth below.

In order to assist your review of the Providers' audit results, we have divided this letter into five sections. Section I sets forth the Medicare Program rules relating to routine and ancillary supplies, Section II reviews current discrepancies between the OIG's and the Intermediary's interpretation of the Medicare rules relating to the classification of routine and ancillary supplies, Section III includes a detailed matrix which sets forth the Provider's response to those specific claims identified by the OIG as "routine supplies" in light of the Medicare rules and Section IV briefly describes those actions to be taken by the Provider to ensure ongoing compliance with the Medicare Program's rules, regulations and policies relating to the classification and reimbursement of routine and ancillary supplies.

## **I. ROUTINE AND ANCILLARY SUPPLIES: THE PROVIDER REIMBURSEMENT MANUAL**

As you know, the Medicare Program generally reimburses skilled nursing facilities like the Providers on a reasonable cost basis. Specifically, reimbursement for costs relating to the provision of routine services and supplies is based on a ratio of Medicare patient days to total patient days. Reimbursement for costs relating to the provision of ancillary services and supplies is based on a ratio of total covered beneficiary charges for ancillary services and supplies to total patient charges for such services and supplies. Given these varying reimbursement methodologies (in addition to cost limits placed on the reimbursement of routine costs), the routine/ancillary classification may have a significant impact on the level of Medicare reimbursement received by a skilled nursing facility.

During the audit period at issue, Section 2203.2 of the Provider Reimbursement Manual ("PRM" or the "Manual") provided that certain items and services are considered ancillary if they meet each of the following three requirements:

1. direct identifiable services to individual patients; and
2. furnished at the direct of a physician because of specific medical needs; and
3. one of the following:

--Not reusable--e.g., artificial limbs, organs, braces, intravenous fluids or solutions, oxygen (including medications), disposable catheters;

--Represent a cost for each preparation, e.g., catheters and related equipment, colostomy bags, drainage equipment trays and tubing; or

--Complex medical equipment--e.g., ventilators, intermittent positive pressure breathing (IPPB) machines, nebulizers, suction pumps, continuous positive airway pressure devices (CPAP) devices, and bead beds such as air fluidized beds.

Whereas the Medicare Program previously provided a list of those items and supplies which did not fall within the "ancillary" category at Section 2203.1 of the Manual, since 1972, the Medicare Program has allowed its various fiscal intermediaries to apply the above criteria and make determinations regarding which services and supplies comply with the Section 2203.2 requirements and are properly reimbursed as ancillary services. Prior to March 3 1 of this year, the Intermediary had not issued any specific guidance to the provider community (including the Providers), regarding the appropriate classification of items and services as routine or ancillary. In fact, prior to the commencement of the OIG audit at issue here, the Providers had contacted the Intermediary requesting such guidance relating to specific identified items; however, the Intermediary noted that no such guidance existed and the Providers should therefore rely on past claims history to determine whether an item or supply is properly reimbursed as routine or ancillary.

Apparently in order to correct the lack of available guidance, the Intermediary issued Medicare Bulletin No. 406 on March 3 1, 1997. This Bulletin sets forth a list of those items and supplies it considers ancillary in light of the Manual's current provisions regarding the classification of ancillary/routine services.

## **II. MEDICARE BULLETIN NO. 406/OIG LIST OF ROUTINE SUPPLIES: DISCREPANCIES AND ISSUES**

As described above, the Manual criteria which distinguish routine from ancillary supplies is subject to significant interpretation which may easily result in various classifications for a single item or supply. Accordingly, it is not surprising that the Intermediary, which is charged with the administration and interpretation of the Medicare Program's various rules and regulations for the Providers, has established a list of ancillary items and supplies which differs significantly from the list established by the OIG as part of its draft audit report.

Mr. Lawrence Frelot  
May 6, 1997  
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Attachment A includes a chart which identifies those items classified by the OIG as routine and their classification as determined by the Intermediary. Where discrepancies exist, or where the Intermediary has failed to list a specific supply identified by the OIG, the Providers have include their own classification and rationale.

In addition to the discrepancies referenced on the attached chart, the Providers also note that the Intermediary Bulletin contains certain internal inconsistencies. For example, on page 17 of the Bulletin, the Intermediary has stated that complex medical equipment such as suction pumps and continuous pumps are covered as ancillary supplies. However, on page 22, the Intermediary lists infusion pumps and IV pumps, which are both examples of continuous pumps, as routine items not subject to reimbursement as ancillary supplies.

Based upon the above internal confusion within the Intermediary Bulletin (as well as the discrepancies between the OIG report and the Bulletin), it is clear that the determination of whether an item or supply is classified as routine or ancillary is difficult to make on an objective basis. Based on the criteria set forth in the Manual, the determination not only varies based on the identity of the item at issue but the manner in which it is provided to the patient. Therefore, lists of ancillary or routine supplies may only be used as general guidelines and, except in relation to certain items and supplies which are routinely used for non-patient-specific purposes, are not appropriately applied as immutable standards. This conclusion is supported by HCFA's obvious election in 1972 to delete its list of routine supplies from the Manual in favor of a standard to be applied on a case-by-case basis by the fiscal intermediaries.

### **III. SPECIFIC CLAIM REVIEW**

As requested in your March 6, 1997 transmittal letter, the Providers have reviewed the specific claims audited by the OIG. Accordingly, the chart included at Attachment B includes the Providers' response to the OIG's reclassification of the identified items and supplies as routine. Please note that this chart exclusively shows those items and supplies which the Providers maintain are properly treated as ancillary but were classified by the OIG as routine.

As shown at Attachment B, the Providers' determination regarding the ancillary nature of many items and supplies specifically accords with the recently issued Intermediary Bulletin. However, the Providers acknowledge that they are, at times, in disagreement with the Intermediary. Nevertheless, the Providers note that they were individually subjected to a

focused medical review by the Intermediary during the audit period at issue. Therefore, the Intermediary clearly approved the Providers' classification of its items and supplies during the audit period and reimbursed the Providers accordingly. Based upon (1) the Intermediary's prior acceptance of the Providers' routine/ancillary classifications and (2) the Intermediary's instructions to the Providers directing that the Providers rely on their past claims history when classifying items and supplies as routine or ancillary (See, Section I, pg. 3 above), the Providers maintain that those aspects of the Bulletin which conflict with the Intermediary's previous determinations reflect new policies which may not be applied retroactively for purposes of disallowing previously paid Medicare reimbursement.

#### IV. CORRECTIVE ACTIONS

As described above, the Providers conducted this review to, in part, analyze the appropriateness of their existing charge master, assess whether charge master changes are required, and determine the need for Provider staff training to ensure ongoing compliance with all Medicare rules, regulations and policies. Accordingly, as a result of this review, the Providers intend to take the following actions.

##### A. Changes to the Providers' Charge Masters

As a result of the OIG's audit, the Providers are in the process of updating their charge masters on their Meditec Billing System to remove those items and supplies which are appropriately classified as routine and not subject to ancillary reimbursement. Specifically, items to be removed from the charge masters include the following:

<u>Medical Supplies</u>	<u>Drugs</u>
Gloves (Non Sterile)	Acetaminophen
Heel Protector	Biscadoyl
Battery (Non Alkaline)	Nystatin
Slippers	Milk of Magnesia
Tape (Non surgical)	Oyster Cal
Gelan Zinc Oxide	Casara Sagrada Aromatic Elixir
PVD Swabs	Ferrous Sulf 325 MG tablet
Spike Pump	Multivitamins
Set Proximal Sike Pump	DSS/C Capsule
Kangaroo Bags	Keri 195 ML

**Medical Supplies**

Enteral Feeding -- Part A  
Dressings (Non Surgical Wound Care)  
Hibiclens  
Band Aids  
Cream Citric Aid  
Lemon Glycerin Swabs  
Mittens Finger Control  
Pink Tape  
Selan Zinc oxide  
Supplemental Protein Drinks

**Drugs**

Hydrogen Peroxide  
Betadine Ointment/Solution  
Tylenol  
Osmolite  
Jevity  
Ensure  
Thiamine  
Folic Acid  
Thiamine

The Providers anticipate that the charge master update will be completed by May 15, 1997.

**B. Proposed In-Service Education Sessions**

In order to ensure ongoing compliance with those Medicare billing rules and regulations which were the focus of the OIG's audit, the Providers have scheduled in-service training sessions for their personnel.

Specifically, an in-service educational program will be conducted by the Providers' business office managers for all business office personnel as well as central supply personnel to insure an appropriate understanding of the Medicare coverage rules and the classification of services and supplies as routine or ancillary. This in-service will be completed by May 4, 1997 for both Providers.

In addition to the above, an in-service educational program for registered nurses and licensed vocational nurses will be given by the Director of Patient Care Services for the Providers relating to appropriate charges made to patient accounts for ancillary nursing service supplies. This in-service will include all appropriate ancillary personnel as well as managers including, but not limited to, the Assistant Director of Nurses (Transitional Care and Sub-Acute Care), the Assistant Director of Nurses (Long Term Care), the Nursing Supervisors and Managers and all Treatment Nurses. This in-service will be held on both

Mr. Lawrence Frelot

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May 2, 1997 and May 9, 1997. Please note that this program was previously held by the Providers on April 29, 1997.

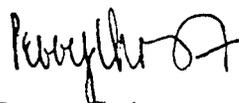
**C. Monitoring/Internal Self Audits**

The Providers recognize that infrequent in-service training sessions may not, in isolation, ensure continuing compliance. Accordingly, the Providers will perform additional monthly follow-up through their respective Business Services departments and Central Supply at regular billing cycles commencing on May 31, 1997. In addition, monitoring of nursing services compliance will be scheduled starting May 15, 1997 and will be conducted on a continual bi-weekly basis thereafter. Finally, the Providers are in the process of developing an internal self-audit program which will be conducted through their Business Services Departments. It is currently anticipated that the audit program will be in-place as of June 1, 1997.

\* \* \* \* \*

Once you have reviewed the above, the Providers would appreciate an opportunity to meet with you and your staff to discuss the results of the OIG audit and the Providers' review. In addition, once the OIG Audit Report is finalized and submitted to the Intermediary for implementation, the Providers' intend to work closely with the Intermediary.

Very truly yours,



Peggy Crist

Enclosures

cc: Mr. James Lester (w/ encls.)  
Mr. Steve Haas (w/ encl.)  
Mr. Jorge Toyos (w/ encls.)  
Kenneth J. Yood, Esq. (w/ encls.)

ATTACHMENT A

**COMPARATIVE REVIEW OF OIG/INTERMEDIARY SUPPLY CLASSIFICATION  
AND PROVIDERS' RESPONSE**

Item Classified as Routine by OIG	Intermediary Classification in Bulletin No. 406				Providers' Comments
	Routine	Ancillary	Non-Covered	Not Found	
Abduction Pillow				X	<b>Ancillary.</b> The Providers maintain that abduction pillows are properly considered ancillary supplies. In accordance with the requirements of PRM Section 2203.2, abduction pillows constitute direct identifiable supply items provided to specific patients based on a physician order which are not reusable by other patients.
Ace Bandages		X			<b>Ancillary.</b> The Providers agree with the Intermediary's classification of ace bandages which are provided to a patient to treat a specific condition in response to a specific physician order.
Alcohol Prep Pads				X	<b>Ancillary.</b> The Providers maintain alcohol prep pads exclusively for the use of those patients receiving IV treatment subject to a physician order. When providing general sterile cleaning to patients, the Providers utilize alcohol and cotton balls. Since alcohol preps are certainly not reusable, they qualify as ancillary supplies in accordance with PRM Section 2203.2 when used in this manner. Moreover, the Provider note that the Intermediary has stated that Skin Prep Pads, which have a similar use to alcohol prep pads, may be considered ancillary when used in specific situations. Therefore, the Providers' classification of alcohol prep pads in the present case accords with the Intermediary's Bulletin.
Alcohol Swabs				X	<b>Ancillary. See Alcohol Prep Pads</b>
Band-Aids	X				Routine.
Betadine Solution (Ointment)	X				<b>Routine.</b>
Betadine Swabs				X	<b>Ancillary. See Alcohol Prep Pads.</b>

Item Classified as Routine by OIG	Intermediary Classification in Bulletin No. 406				Providers' Comments
	Routine	Ancillary	Non-Covered	Not Found	
Bucket Enema				X	<b>Ancillary.</b> The Providers maintain that enema buckets are properly considered ancillary supplies. In accordance with the requirements of PRM Section 2203.2, enema buckets constitute direct identifiable supply items provided to specific patients based on a physician order which are not reusable by other patients.
Central Service Supply				X	<b>Ancillary when used in conjunction with a patient-specific treatment.</b> The Providers understand that items maintained in gross supply for use by all patients are generally considered routine supplies. However, certain items maintained in gross supply (e.g., Plexipus Boots) are used only by specific patients subject to a physician's order. So long as these items are not reusable by other patients once they are prescribed by a physician, they are properly considered ancillary.
Cream Citric Aid				X	<b>Routine</b>
Dri-Flo Pads				X	<b>Ancillary.</b> The Providers maintain that dri-flo pads are properly considered ancillary supplies. In accordance with the requirements of PRM Section 2203.2, they constitute direct identifiable supply items provided to specific patients based on a physician order which are not reusable by other patients.
Eggcrate Mattress		X			<b>Ancillary.</b> The Providers agree with the Intermediary's determination that eggcrate mattresses are properly considered ancillary supplies.
Eggcrate Sleeve		X			<b>Ancillary.</b> The Providers agree with the Intermediary's determination that eggcrate sleeves are properly considered ancillary supplies.
Elbow-Heel Protector			X		<b>Ancillary.</b> The elbow-heel protector is covered as an ancillary item when it is provided to treat a specific patient condition. It is covered as a routine item when it is provided as a comfort or convenience item in order to protect patients against potential injuries.
Bucket Enema & Soap			X		<b>Ancillary. See <i>bucket enema</i>.</b>
Enteral Feeding	X				<b>Routine.</b> However, the Providers note that HCFA regional offices have stated that if enteral supplies are furnished by an outside supplier to a patient during either a Medicare Part A or Part B stay, the supplier may separately bill the DMERC for the enteral supplies under Part B of the Medicare Program.

Item Classified as Routine by OIG	Intermediary Classification in Bulletin No. 406				Providers' Comments
	Routine	Ancillary	Non-Covered	Not Found	
Gauze, Non-Sterile	X	X			<b>Generally routine although ancillary when used in conjunction with a patient-specific treatment.</b> The Providers agree with the Intermediary's assessment that non-sterile gauze may be considered ancillary when used in wound care or the treatment of other patient-specific conditions subject to a Dhvsician's order.
Gauze Sponge		X			<b>Ancillary.</b> The Providers agree with the Intermediary's conclusion that gauze sponges are ancillary supplies when used for a tracheotomy, complex wound usage, or other patient-specific conditions subject to a physician's order.
Gloves	X				<b>Routine.</b>
Gloves, Sterile		X			<b>Ancillary.</b> The Providers agree with the Intermediary's conclusion that sterile gloves are ancillary supplies when used for a patient-specific condition subject to a <b>physicisn's order.</b>
Hibiclens				X	<b>Routine.</b>
Hypothermia Add-A-Day				X	<b>Ancillary. See eggcrate mattress</b>
IV Pump	X	X			<b>Generally routine although ancillary in specific situations.</b> The Providers agree with the Intermediary's determination that IV Pumps are properly considered ancillary when the IV medication requires calculation and monitoring.
IV Start Set		X			<b>Ancillary.</b> The Providers agree with the Intermediary's assessment that an IV start set is an ancillary supply.
Instant Cold Pack				X	<b>Ancillary.</b> The Providers maintain that instant cold pack are properly considered ancillary supplies. In accordance with the requirements of PRM Section 2203.2, instant cold packs constitute direct identifiable supply items provided to specific patients based on a physician order which are not reusable by other patients.
Isolation Gown				X	<b>Ancillary.</b> The Providers maintain that isolation gowns are properly considered ancillary supplies, In accordance with the requirements of PRM Section 2203.2, <b>issolation</b> gowns are direct identifiable supply items provided to specific patients based on a physician order for isolation which are not reusable by other patients.

Item Classified as Routine by: OIG	Intermediary Classification in Bulletin No. 406				Providers' Comments
	Routine	Ancillary	Non-Covered	Not Found	
K-Pad				X	<b>Ancillary</b> - The Intermediary has classified Aqua K Pads as ancillary items. K Pads generally perform the same function as Aqua K Pads and are therefore appropriately classified in the same manner.
K-Unit				X	<b>Ancillary</b> - The Providers maintain that K-Units are properly considered ancillary supplies. In accordance with the requirements of PRM Section 2203.2, K-Units constitute direct identifiable supply items provided to specific patients based on a physician order which are complex medical equipment.
Lemon Glycerin Swabs	X				<b>Routine.</b>
Microfoam Tape		X			<b>Ancillary.</b> The Providers agree with the Intermediary's conclusion that microfoam tape is an ancillary supply when used to treat a patient-specific condition subject to a physician's order.
Micropore Tape		X			<b>Ancillary.</b> The Providers agree with the Intermediary's conclusion that micropore tape is an ancillary supply when used to treat a patient-specific condition subject to a physician's order.
Mittens Finger Control				X	<b>Routine.</b>
Parenteral Nutrition	Bill to Carrier				<b>Ancillary.</b> According to Section 3660.6 of the Medicare Intermediary Manual, parenteral nutrient solutions are provided during a covered Part A SNF stay are classified as intravenous drugs and must be billed as an ancillary cost.
Pink Tape				X	<b>Routine.</b>
Plexiplus Machine				X	<b>Ancillary.</b> - The Providers maintain that Plexiplus Machines are properly considered ancillary supplies. In accordance with the requirements of PRM Section 2203.2, the Machines constitute direct identifiable supply items provided to specific patients based on a physician order which are complex medical equipment.
Selan Zinc Oxide				X	<b>Routine.</b>
Stockings Ted Hose		X			<b>Ancillary.</b> The Providers agree with the Intermediary's conclusion that stockings ted hose is an ancillary supply when used to treat a patient-specific condition subject to a physician's order.

Item Classified as Routine by OIG	Intermediary Classification in Bulletin No. 406				Providers' Comments
	Routine	Ancillary	Non-Covered	Not Found	
Suction Machine		X			<b>Ancillary.</b> The Providers agree <b>with</b> the Intermediary's conclusion that a suction machine is a complex medical equipment which is an ancillary supply when used to treat a patient-specific condition subject to a physician's order.
Supplemental Protein Drinks			X		
Transpore Tape		x			<b>Ancillary.</b> The Providers agree with the Intermediary's conclusion that transpore tape is an ancillary supply when used to treat a patient-specific condition subject to a physician's order.

## ATTACHMENT B

### PROVIDERS' REVIEW OF OIG AUDIT: AREAS OF DISAGREEMENT

Patient / Claim Identification	Supply Item at Issue	Specific Physician Order for Supply (Yes / No) <sup>1</sup>	Classification (Routine or Ancillary)	Explanation
Recipient 1	Sodium Chloride	Yes (IVs)	Ancillary	Sodium Chloride was used to irrigate patients IV. The Intermediary's Bulletin specifically states that normal saline for irrigation is properly classified as routine. Therefore, sodium chloride used for the same purpose is appropriately classified as an ancillary supply. Moreover, the Intermediary's Bulletin also classifies IV supplies as ancillary. Since the sodium chloride was exclusively used in relation to the patient's IV, it is an ancillary IV supply.
Recipient 1	Eggcrate mattress and sleeve	Yes	Ancillary	Classified as <b>ancillary</b> according to the Intermediary's Bulletin.
Recipient 1	Insulin Syringes	Yes	Ancillary	Classified as ancillary according to the Intermediary's Bulletin.
Recipient 1	Tape Roll	Yes	Ancillary	The Intermediary Bulletin specifically designates IV supplies as ancillary. The tape at issue is used exclusively to secure the IV which is ordered by a physician for the patient. Therefore, the tape is appropriately considered an ancillary item as an IV supply.
Recipient 1	Alcohol Prep Pads	Yes	<b>Ancillary</b>	The pads are utilized to start, change and maintain IV. Therefore, swab is appropriately categorized as an ancillary IV supply. See reference at Attachment A.

<sup>1</sup> Copies of the physician orders are available upon the request of the OIG.

Patient / Claim Identification	Supply Item at Issue	Specific Physician Order for Supply (Yes / No) <sup>1</sup>	Classification (Routine or Ancillary)	Explanation
Recipient 2	Aerosol Mask	Yes	Ancillary	Used for respiratory therapy based on a specific physician order and is non-reusable, Therefore, like the airways classified by the Intermediary as ancillary, the aerosol mask is also ancillary.
Recipient 3	Eggcrate mattress and sleeve	Yes	Ancillary	Classified as ancillary according to the Intermediary's Bulletin.
Recipient 3	2 sets intermittent feeding tubes	Yes	Ancillary	The Intermediary Bulletin classifies feeding tubes as an ancillary supply. Intermittent feeding tubes, therefore, are similarly classified.
Recipient 3	2 gastrostomy tubes	Yes	Ancillary	The Intermediary Bulletin classifies a Levine Tube as an ancillary item. The gastrostomy tubes at issue here perform a similar function but are used in the gastric region. Therefore, they should be similarly classified as ancillary.
Recipient 3	Jelco needle	Yes (IVs)	Ancillary	Jelco needle is an IV supply which has been classified by the Intermediary as an ancillary item.
Recipient 4	Sodium Chloride	Yes (IVs)	Ancillary	See above.
Recipient 4	Heparin Tubex	Yes (IVs)	Ancillary	Heparin tubex is used for irrigation and flushing of IVs and is therefore properly categorized as an ancillary IV supply.
Recipient 4	IV Pump and Pole	Yes (IVs)	Ancillary	Patient received IV antibiotic requiring frequent monitoring. Accordingly, IV pump not provided merely as a convenience or substitution for drip method. The IV pump and pole were specifically required by patient in accordance with a physician order. Therefore, they are properly treated as ancillary.
Recipient 4	Eggcrate mattress and sleeve	Yes	Ancillary	Classified as ancillary according to the Intermediary's Bulletin.
Recipient 4	1 box of IV sterile gloves	Yes (IVs)	Ancillary	Classified as ancillary according to the Intermediary's Bulletin.
Recipient 4	Alcohol prep pads	Yes	Ancillary	See above.
Recipient 5	Eggcrate Mattress	Yes	Ancillary	Classified as ancillary according to the Intermediary's Bulletin.

<b>Patient / Claim Identification</b>	<b>Supply Item at Issue</b>	<b>Specific Physician Order for Supply (Yes / No)<sup>1</sup></b>	<b>Classification (Routine or Ancillary)</b>	<b>Explanation</b>
Recipient 5	Sodium Chloride (2 ml)	Yes	Ancillary	See above.
Recipient 5	Tubex 1 & 2 ml	Yes	Ancillary	See above.
Recipient 6	Pro-lock shield needle	Yes	Ancillary	The needle was used for flushing IV required by patient. Therefore, the needle is properly considered as an ancillary IV supply as determined by the Intermediary.
Recipient 6	Sodium Chloride	Yes	Ancillary	See above.
Recipient 6	4 surgical tapes	Yes	Ancillary	The surgical tapes were utilized for IV placement. Therefore, they are properly considered IV supplies which are deemed ancillary by the Intermediary.
Recipient 6	IV pole and pump	Yes (IVs)	Ancillary	See above.
Recipient 6	Eggcrate mattress and sleeve	Yes	Ancillary	See above.
Recipient 6	1 box of IV sterile gloves	Yes (IVs)	Ancillary	Classified as ancillary according to the Intermediary's Bulletin.
Recipient 6	Tubex 1 and 2 ml	Yes	Ancillary	See above.
Recipient 6	Alcohol prep pads	Yes	Ancillary	See above and Attachment A.
Recipient 7	2 stem-strip	Yes	Ancillary	Classified as ancillary according to the Intermediary's Bulletin.
Recipient 7	8 alcohol swab and prep pads	Yes (IVs)	Ancillary	See above and Attachment A.
Recipient 7	5 betadine swabs	Yes (IVs)	Ancillary	The swabs are utilized to start, change and maintain IV. Therefore, swab is appropriately categorized as an ancillary IV supply. See reference at Attachment A.
Recipient 7	3 roll tapes	Yes	Ancillary	The tape at issue is foam tape used to secure the IV. The Intermediary Bulletin specifically identifies both IV supplies in general and foam tape in specific as an ancillary item. Therefore, it is properly classified as such here.

<b>Patient / Claim Identification</b>	<b>Supply Item at Issue</b>	<b>Specific Physician Order for Supply (Yes / No)<sup>1</sup></b>	<b>Classification (Routine or Ancillary)</b>	<b>Explanation</b>
Recipient 7	2 boxes of sterile gloves	Yes	Ancillary	The gloves are utilized to care for tracheotomy and IVs. Therefore, they are ancillary IV supplies. In addition, the Intermediary Bulletin specifically lists sterile gloves as ancillary.
Recipient 8	Proventil 17 gm	Yes	Pharmacy	Non-legend pharmaceuticals maintained in general supply are considered routine since they are used for general application. Proventil is a legend inhalant used for the treatment of asthma. Therefore, it is properly considered as an ancillary item.
Recipient 9	2 Fleets enema	Yes	Ancillary	The Intermediary Bulletin classifies disposable enema administration units as ancillary. The Fleet enemas at issue fall within this category and are therefore properly classified as ancillary.
Recipient 9	Dermuspray Spray	Yes	Pharmacy	The spray at issue is used in the treatment of complex wound care which is specifically order by the patient's physician. Therefore, it is appropriately treated as an ancillary supply.
Recipient 10	1 eggcrate mattress and sleeve	Yes	Ancillary	Classified as ancillary according to the Intermediary's Bulletin.
Recipient 10	Fleets enema	Yes	Ancillary	The Intermediary Bulletin classifies disposable enema administration units as ancillary. The Fleet enemas at issue fall within this category and are therefore properly classified as ancillary.