DEPARTMENT OF HEALTH & HUMAN SERVICES **OFFICE OF INSPECTOR GENERAL,**

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

NOV 21 2000

CIN: A-01-00-00001

Mr. Eugene Gessow
Director, Bureau of Medical Services
Maine Department of Human Services
State House - Station 11
Augusta, Maine 04333-0011

Dear Mr. Gessow:

Enclosed are two copies of the Department of Health and Human Services, Office of Inspector General, Office of Audit Services' report on the results of the review of the Maine Bureau of Medical Services' (State Agency's) Medicaid reimbursement for durable medical equipment (DME) purchases and rentals associated with recipients who were also residing in nursing facilities (NFs). The objective of this review was to determine the adequacy of the State Agency procedures and controls over Medicaid payments made to outside providers for DME when recipients were also receiving skilled nursing care during their stays in a nursing facility.

Many DME are considered routine equipment that are normally supplied by the NF, the cost of which is included in the NF Medicaid reimbursement rates. Our review disclosed that the State Agency has established policies that do not allow for Medicaid reimbursement of many DME services to outside providers while a recipient is a resident in a NF. Based on results of a computer match and related payment testing, we found that, with few exceptions, the State Agency was adhering to its reimbursement policies and that DME was not being inappropriately charged to the Medicaid program. As a result, we have no further recommendations to make on this issue.

In accordance with the prmciples of the Freedom of Information Act, 5 U.S.C. 5.52, as amended by Public Law 104-23 1, Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.) As such, within ten business days after the final report is issued, it will be posted on the world wide web at http://www.hhs.gov/progorgloig.

Sincerely yours,

Michael J. Armstrong

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures - as stated

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF MAINE BUREAU OF MEDICAL SERVICES' MEDICAID REIMBURSEMENT FOR DURABLE MEDICAL EQUIPMENT FOR RECIPIENTS RESIDING IN NURSING FACILITIES

JUNE GIBBS BROWN
Inspector General

NOVEMBER 2000
A-01-00-00001

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Mr. Eugene Gessow
Director, Bureau of Medical Services
Maine Department of Human Services
State House - Station 11
Augusta, Maine 04333- 0011

Dear Mr. Gessow:

This report presents the results of our review of the Maine Bureau of Medical Services' (State Agency's) Medicaid reimbursement for durable medical equipment (DME) purchases and rentals associated with recipients who were also residing in nursing facilities (NFs). The objective of this review was to determine the adequacy of the State Agency procedures and controls over Medicaid payments made to outside providers for DME when recipients were also receiving skilled nursing care during their stays in a nursing facility'.

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BACKGROUND

Maine Medicaid is a health care program funded jointly by the Federal government and the State of Maine and administered by the Maine Department of Human Services, Bureau of Medical Services. The purpose of the program is to provide for the cost of health care services for Maine's citizens of low income either directly or as a supplement (deductible and coinsurance) for recipients who are also eligible for health care services under the Medicare program (dual eligible). Maine Medicaid has established guidelines for the purchase and rental of DME on behalf of those Medicaid recipients who were also receiving skilled nursing care in a nursing facility. In this regard, the Maine Medical Assistance Manual provides "...Routine services,

[1] - As used in this report nursing facility refers to both a Medicare Skilled Nursing Facility (SNF) and a Medicaid Nursing Facility (NF). When referring to only a Medicare SNF or a Medicaid NF, SNF or NF is used singularly. Most nursing facilities participate in both Medicare and Medicaid.

supplies, and equipment shall be supplied by the facility as part of the regular rate of reimbursement. Routine services means...the use of equipment....” In addition, the Manual provides a list of those DME items which may be separately billed.

Similar to the Medicaid program, the Medicare program has established guidelines for the purchase and rental of DME on behalf of those Medicare beneficiaries who were also receiving skilled nursing care in a nursing facility. In this regard, one or more of the 4 Medicare Durable Medical Equipment Regional Carriers (DMERCs) has identified 485 DME procedure codes that are considered to be routine equipment which the SNFs should have on hand for the use and care of the Medicare beneficiaries. The costs of such DME are included in the SNFs' Medicare reimbursement rates. Therefore, separate charges for Medicare reimbursement for such DME during the period in which a Medicare beneficiary is a SNF resident is not allowed. Maine Medicaid has adopted the same policies to deny reimbursement for 297 procedure codes (233 of the 485 adopted by the DMERCs and 64 that the State Agency has adopted locally).

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this review was to determine the adequacy of the State Agency procedures and controls over Medicaid payments made to outside suppliers for DME when recipients were also receiving skilled nursing care during their stays in a nursing facility. Specifically, we determined the adequacy of procedures and controls over Medicaid payments for (1) DME claims when a Medicaid recipient received skilled nursing care during their stay in a nursing facility, and (2) Medicare deductibles and coinsurance for DME when dual eligible beneficiaries/recipients received skilled nursing care during their stay in a nursing facility.

To accomplish our objectives, we obtained the Maine Medicaid payment tapes from the State Agency for reimbursements made between January 1996 and September 1998. These payment tapes included all Medicaid reimbursements for DME services and also all Medicaid reimbursements made to nursing facilities for care of Medicaid recipients. We utilized computer applications to determine the extent of potential DME overpayments that may have occurred while the recipients were residing in a nursing facility. The DME procedure codes used for this matching process were those 297 DME codes identified by the State Agency which were considered unallowable for reimbursement when a Medicaid recipient received skilled nursing care during their stay in a nursing facility. Our matching process also used the remaining 252 DME codes (485-233) identified by one or more of the four DMERCs which the DMERC considered unallowable for reimbursement during a nursing facility stay, but which the State Agency allowed during a nursing facility stay. The dates of service for the DME codes were then matched with the dates of nursing facility stays for the same recipients to identify overlapping service dates which represented potential overpayments or potential savings.

We identified and reviewed the State Agency payment policies for DME while a recipient is a nursing facility resident. We selected a statistical sample of claims identified as potential overpayments and reviewed State Agency payment data to determine the accuracy of the

computer matching results and to identify whether the claims were paid in accordance with State Agency reimbursement policies.

We conducted our audit in accordance with generally accepted government auditing standards, and we performed our audit between November 1999 and August 2000 at the State Agency in Augusta, Maine and our regional office in Boston, Massachusetts.

RESULTS OF REVIEW IN MAINE

Our review disclosed that the State Agency has established policies that do not allow for Medicaid reimbursement of many DME services to outside providers while a recipient is a resident in a nursing facility. Based on results of a computer match and related payment testing, we found that, with few exceptions, the State Agency was adhering to its reimbursement policies and that DME was not being inappropriately charged to the Medicaid program.

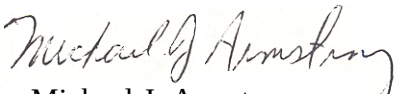
The State Agency had adopted policies to deny reimbursement for 297 DME procedure codes that should not be paid separately when a Medicaid recipient is receiving skilled nursing care in a nursing facility. These DME codes consist of 233 of the 485 codes adopted by the DMERCs and 64 codes that the State Agency has adopted locally. The basis for denying reimbursement for these DME was that these codes represented routine services, supplies, and equipment that would normally be provided by the nursing facility as part of their regular rate of reimbursement.

Using the population of DME payments made to outside providers between January 1996 and September 1998, we reviewed a sample of 200 randomly selected sample items (claims) to determine whether DME payments made by the State Agency to outside providers were appropriate. We found that 7 of 200 sample items reviewed involved an overpayment because the claim was originally processed by a DMERC that inappropriately paid because the supplier incorrectly coded the “place of service” as the bcncticiary’s home. In these cases, the beneficiary may have been at home when they first received the DME and the outside provider may not have known of the individual entering the nursing facility or may have knowingly miscoded the place of service. The DMERC then instructed the State Agency to pay for coinsurance that should not have been paid. Since the overpayments to the Medicaid program resulted originally from the manner in which the claim was processed by the DMERC, we plan to address these overpayments in a separate report to HCFA. We also found eight items with overpayments which involved claims that the DME providers should have billed to the DMERC As such, the State Agency paid the entire allowed amount including the amount the DMERC would have paid. However, since we found that the amounts in these claims were immaterial, we are not extrapolating the results to the population. Accordingly, we are not making any recommendations regarding these conditions in this report.

CONCLUSION

The State Agency has established policies that do not allow for Medicaid reimbursement for certain DME codes to outside providers while a recipient is a resident in a nursing facility. Based on a statistical sample of paid claims to outside providers for DME, we found that, with few exceptions, the State Agency was adhering to its reimbursement policies and that DME was not being inappropriately charged to the Medicaid program.

Sincerely yours,



Michael J. Armstrong
Regional Inspector General
for Audit Services