DEPARTMENT OF HEALTH AND HUMAN SERVICES

# OFFICE OF INSPECTOR GENERAL

# Medical Equipment and Supply Claims with Invalid or Inactive Physician Numbers

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INSPECTOR GENERAL

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## OFFICE OF INSPECTOR GENERAL

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# EXECUTIVE SUMMARY

## PURPOSE

This inspection examined Medicare payments for medical equipment and supply claims submitted with invalid or inactive unique physician identification numbers.

## BACKGROUND

Medicare beneficiaries covered by Part B are eligible to receive medical equipment and supplies deemed medically necessary by a physician. Medicare regulations require suppliers to provide the unique physician identification number (UPIN) of the physician who ordered the equipment and/or supplies when submitting a claim. Because Medicare payment for medical equipment and supplies is only authorized when items are ordered by a physician, claims with incorrect UPIN information should not be paid.

The Consolidated Omnibus Budget Reconciliation Act of 1985 required the Centers for Medicare & Medicaid Services (CMS) to establish UPINs for all physicians who provide services to Medicare beneficiaries. Each physician is assigned one and only one UPIN. The CMS contracts with one company to maintain a database, the UPIN Registry, that contains relevant data on all assigned UPINs. Information regarding the practice settings (i.e., physical locations where the physician practices medicine) associated with a particular UPIN are included in the UPIN Registry. Medicare requires physicians to notify their local Part B carriers of any practice setting changes. In addition, local carriers have been instructed by CMS to inactivate practice settings for which there has been no claim activity during the previous 12 months. For the purposes of this report, we will refer to UPINs without any active practice settings as inactive, and UPINs that have never been assigned by Medicare as invalid.

We compared the UPINs listed on 1999 medical equipment and supply claims to information contained in the UPIN Registry. We then identified Medicare payments for claims where the listed UPIN was either invalid or inactive on the date of service.

## FINDINGS

### Medicare paid $32 million for medical equipment and supply claims with invalid UPINs in 1999

In 1999, Medicare allowed charges for medical equipment and supply claims with invalid UPINs totaled $32 million. Approximately 14,000 different invalid UPINs were used on medical equipment and supply claims paid by Medicare. Seventy-eight percent of the

invalid UPINs appearing on these claims in 1999 were associated with less than $1,000 in Medicare allowed charges. However, 106 of the invalid UPINs had more than $50,000 in allowed charges associated with them. One invalid UPIN was listed as the ordering physician by seven different suppliers on $1.1 million in Medicare claims.

### Medicare paid $59 million for medical equipment and supply claims with inactive UPINs in 1999

In 1999, Medicare allowed $59 million for medical equipment and supply claims with UPINs that were inactive on the date of service. More than 28,000 inactive UPINs were listed on claims paid by Medicare in 1999. Thirty percent of these UPINs had been inactive for at least 3 years, and accounted for $10 million in payments. Some UPINs listed on medical equipment and supply claims had been inactive for more than 9 years as of the claim's date of service.

### A small number of suppliers accounted for a significant share of allowed charges for claims with invalid or inactive UPINs

Almost 25,000 (28 percent) of the approximately 90,000 suppliers that submitted claims to Medicare in 1999 used an invalid or inactive UPIN on at least one claim. One hundred suppliers alone accounted for $17 million of the $91 million in allowed charges for claims with invalid or inactive UPINs. Allowed charges for claims with invalid or inactive UPINs made up a very small share (less than 2 percent) of the average supplier's 1999 reimbursement. However, we identified 1,053 suppliers that had more than 30 percent of their 1999 allowed charges associated with invalid or inactive UPINs.

## RECOMMENDATIONS

We believe that our findings illustrate a significant vulnerability in Medicare's claims processing system for medical equipment and supplies. Carriers should only pay for medical equipment and supply claims that include accurate UPINs. While it is possible that some of the equipment and supplies that we identified were medically necessary, the inability of Medicare systems to determine whether claims are submitted with invalid or inactive UPINs creates the potential for widespread abuse.

In order to address the issues identified by this report, we recommend that CMS:

**Revise claims processing edits to ensure that UPINs listed on medical equipment and supply claims are valid and active.**

**Emphasize to suppliers the importance of using accurate UPINs when submitting claims to Medicare.**

We have provided CMS with 1999 data on medical equipment and supply claims with invalid or inactive UPINs for further analysis and review. The CMS, if necessary, will forward any suspected problematic claims to our Office of Investigations.

## Agency Comments

The CMS concurred with our recommendation concerning the revision of claims processing edits. The agency indicated that it has developed instructions, system changes, and edits which will reject claims listing a deceased physician's UPIN. Once this initiative is implemented in April 2002, CMS plans to expand it to include all invalid and inactive UPINs. The CMS also agreed with our recommendation concerning supplier education. The full text of CMS' comments is presented in Appendix A.

We agree that CMS' recent actions indicate that positive first steps are being taken, and look forward to its future initiatives involving UPINs. However, until these initiatives are in place, we believe that CMS should perform post-payment reviews in order to detect the use of invalid and inactive UPINs on medical equipment and supply claims.

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# INTRODUCTION

## PURPOSE

This inspection examined Medicare payments for medical equipment and supply claims submitted with invalid or inactive unique physician identification numbers.

## BACKGROUND

Title XVIII of the Social Security Act establishes coverage and benefits under Part B of the Medicare program. Medicare beneficiaries covered by Part B are entitled to receive medical equipment and supplies that are deemed medically necessary by a physician. This benefit includes durable medical equipment (e.g., wheelchairs, hospital beds, home oxygen equipment) and supplies, as well as prosthetics and orthotics. The Centers for Medicare & Medicaid Services (CMS) contracts with four durable medical equipment regional carriers to process and pay medical equipment and supply claims. In 1999, Medicare reimbursed $6.2 billion for medical equipment and supplies.

To obtain reimbursement for equipment and supplies provided to Medicare beneficiaries, suppliers submit a HCFA 1500 claim form to the durable medical equipment regional carrier serving their area. Medicare regulations require suppliers to provide the unique physician identification number (UPIN) of the physician who ordered the equipment on the HCFA 1500 claim form. Because Medicare payment for medical equipment and supplies is only authorized when it is ordered by a physician, claims with incorrect UPIN information should not be paid. However, according to CMS, Medicare claims processing systems only verify that the UPIN listed on a claim meets certain format requirements. Computer system edits are not performed to ensure that the UPIN has been assigned or is currently active.

### Assignment and Use of UPINs

The Consolidated Omnibus Budget Reconciliation Act of 1985 required CMS to establish UPINs for all physicians who provide services to Medicare beneficiaries. In 1994, CMS expanded the use of UPINs to other medical providers, such as nurse practitioners, and to group physician practices. In this report, we use the term “physician” to describe both physicians and other medical providers who are assigned UPINs. The CMS contracts with one company to maintain a database containing relevant information on all assigned UPINs. This database is known as the UPIN Registry.

To be assigned a UPIN a physician completes Form HCFA 855 and submits it to the Part B carrier serving his or her geographic area. This form requires physicians to

provide information such as their Social Security numbers, State licensing information, and medical specialties. Physicians also must provide a listing of all of their associated practice settings (i.e., physical locations where they practice medicine). As part of enrollment, carriers validate that the provider requesting the UPIN has the appropriate license(s) required by State law. Carriers then contact the contractor that maintains the UPIN Registry to request that a UPIN be issued to the physician. Each physician is assigned one and only one UPIN, though local carriers assign separate identifiers for each practice setting. Information regarding the practice settings associated with a particular UPIN are included in the UPIN Registry.

Medicare requires physicians to notify their local Part B carriers of any address changes or practice setting closings. In addition, local carriers have been instructed by CMS to inactivate practice settings for which there has been no claim activity during the previous 12 months. The local carrier is then responsible for notifying the contractor that maintains the UPIN Registry of these changes.

### Related Work by the Office of Inspector General

In 1999, the Office of Inspector General released a report entitled, "Accuracy of Unique Physician Identification Number Data," (OEI-07-98-00410). This report found that although CMS has taken meaningful actions to enhance the accuracy of UPIN data, some problems continue to exist. For example, almost 23 percent of UPINs listed as active in the UPIN Registry had no claims activity within the previous year. The report recommended that CMS take steps to ensure that its carriers follow the issued guidelines concerning the inactivation of UPINs.

## METHODOLOGY

### Data Collection and Analysis

We created a file containing 100 percent of 1999 medical equipment and supply claims from CMS' National Claims History File. We obtained UPIN information by accessing a CMS database extracted from the UPIN Registry. The CMS' UPIN database is composed of two separate files: one containing information on the active practice settings associated with a UPIN, and the other on the inactive practice settings.

We first compared all of the UPINs listed on the 1999 claims to UPINs listed on the active practice settings file. As long as a UPIN on the claim had at least one active practice setting, or was a surrogate UPIN, we considered it to be active. Surrogate UPINs are five generic identifiers established by CMS to represent physicians who do not have a UPIN, e.g., resident physicians, retired physicians.

The UPINs appearing on 1999 claims that did not appear in the active practice settings file and were not surrogate identifiers were then compared to the UPINs listed in the

inactive practice settings file. Based on this comparison, we placed a UPIN into one of two categories:

(1) Invalid: The UPIN listed on the claim does not appear in either the active or inactive practice settings file. The UPIN has not been assigned by Medicare.

(2) Inactive: The UPIN listed on the claim appears in the inactive practice settings file but not the active file. The UPIN has been assigned, but it has either been inactivated by the physician, or all of its associated practice settings have been inactivated by carriers.

We determined the number of invalid or inactive UPINs listed on 1999 medical equipment and supply claims. We then calculated the amount Medicare paid in 1999 for claims with UPINs that were invalid. We also calculated the amount Medicare paid in 1999 for claims with inactive UPINs, arraying the data by the length of time the UPINs had been inactive. We determined how long a UPIN had been inactive by comparing the date of service listed on its earliest 1999 claim to the most recent inactivation date of an associated practice setting.

We summarized the UPIN data by procedure code. We also determined the allowed charges each supplier had with invalid or inactive UPINs, and whether or not any suppliers received a significant share of their Medicare reimbursement through the use of invalid or inactive UPINs. We used 10-digit supplier numbers when analyzing supplier data. Ten-digit numbers identify each physical location where a supplier conducts business. However, each location may be part of a larger medical equipment supply company.

# FINDINGS

## Medicare paid $32 million for medical equipment and supply claims with invalid UPINs in 1999

In 1999, Medicare's allowed charges for medical equipment and supply claims with invalid UPINs totaled $32 million. Approximately 14,000 different invalid UPINs were used on medical equipment and supply claims paid by Medicare. Three-quarters of the invalid UPINs had the correct format and started with an appropriate letter. The remaining invalid UPINs began with a letter for which no UPINs had ever been issued. This means that the UPIN could easily be identified as one which was never assigned.

Seventy-eight percent of the invalid UPINs appearing on medical and supply claims in 1999 were associated with less than $1000 in Medicare allowed charges. However, 106 of the invalid UPINs were associated with more than $50,000 in allowed charges. One invalid UPIN was listed as the ordering physician by seven different suppliers on $1.1 million in Medicare claims. Out of the nearly 500,000 UPINs that were used on Medicare medical equipment and supply claims in 1999, this invalid UPIN ranked fifty-second in overall allowed charges.

## Medicare paid $59 million for medical equipment and supply claims with inactive UPINs in 1999

In 1999, Medicare paid $59 million in allowed charges for medical equipment and supply claims with UPINs that were inactive on the date of service. Almost $8 million of this amount involved UPINs for physicians who had died prior to the dates of service listed on the claims. More than 28,000 inactive UPINs were listed on medical equipment and supply claims paid by Medicare in 1999. Thirty percent of these UPINs had been inactive for at least 3 years, and accounted for $10 million in Medicare payments. Some UPINs listed on medical equipment and supply claims had been inactive for more than 9 years at the time of the claims' dates of service.

There may be explanations why inactive UPINs are associated with certain types of services. For instance, once beneficiaries qualify for oxygen therapy, they may use it for the rest of their lives. Therefore, procedure codes for oxygen equipment and supplies could be billed for a period of time after the UPIN of the physician who initially ordered the equipment and supplies had been inactivated. Furthermore, certain other pieces of medical equipment, such as wheelchairs and hospital beds, are usually rented for an extended period of time. Suppliers bill Medicare a rental fee for this equipment, known as capped-rental items, for up to 15 consecutive months. In these cases, a claim submitted with a UPIN that had been inactive for less than a year would not necessarily

be problematic. The physician who originally ordered the equipment may have retired or died within the rental period. However, if the UPIN had been inactive for over 2 years on the claim's date of service, this would indicate that the UPIN was inactive at the time the item was ordered. Of the $59 million paid in 1999 for claims with inactive UPINs, $14 million was for oxygen-related services and almost $7.3 million was for capped-rental items. However, 42 percent ($3 million) of the allowed charges for capped-rental items were associated with UPINs that had been inactive for more than 2 years.

## A small number of suppliers accounted for a significant share of allowed charges for claims with invalid or inactive UPINs

Almost 25,000 (28 percent) of the approximately 90,000 suppliers that submitted claims to Medicare in 1999 used an invalid or inactive UPIN on at least one claim. One hundred suppliers alone accounted for $17 million of the $91 million in allowed charges for claims with invalid or inactive UPINs. One supplier was responsible for $1.2 million in Medicare allowed charges for claims with invalid or inactive UPINs, using over 1,700 of these UPINs on medical equipment and supply claims in 1999.

Allowed charges for claims with invalid or inactive UPINs made up a very small share (less than 2 percent) of the average supplier's 1999 reimbursement. However, we identified 1,053 suppliers that had more than 30 percent of their 1999 allowed charges associated with invalid or inactive UPINs. One supplier had 62 percent of its allowed charges ($365,849 of $588,563) associated with one invalid UPIN.

# RECOMMENDATIONS

We believe that our findings illustrate a significant vulnerability in Medicare's claims processing system for medical equipment and supplies. Carriers should only pay for medical equipment and supply claims that include accurate UPINs. While it is possible that some of the equipment and supplies that we identified were medically necessary, the inability of Medicare systems to determine whether claims are submitted with invalid or inactive UPINs creates the potential for widespread abuse.

In order to address the issues identified by this report, we recommend that CMS:

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## Agency Comments

The CMS concurred with our recommendation concerning the revision of claims processing edits. The agency indicated that it has developed instructions, system changes, and edits which will reject claims listing a deceased physician's UPIN. Once this initiative is implemented in April 2002, CMS plans to expand it to include all invalid and inactive UPINs. The CMS also agreed with our recommendation concerning provider education. The full text of CMS' comments is presented in Appendix A.

We agree that CMS' recent actions indicate that positive first steps are being taken, and look forward to its future initiatives involving UPINs. However, until these initiatives are in place, we believe that CMS should perform post-payment reviews in order to detect the use of invalid and inactive UPINs on medical equipment and supply claims.

APPENDIX A

# Centers for Medicare & Medicaid Services Comments

DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Care Financing Administration

The Administrator
Washington, D.C. 20201

DATE: OCT - 2 2001

TO: Janet Rehnquist
Inspector General
Office of Inspector General

FROM: Thomas A. Scully
Administrator

SUBJECT: Office of Inspector General (OIG) Draft Report: *Medical Equipment and Supply Claims with Invalid or Inactive Physician Numbers* (OEI-03-01-00110)

Thank you for the opportunity to review the above-referenced report. The OIG reported that Medicare allowed $32 million for medical equipment and supply claims with invalid unique physician identification numbers (UPINs) in 1999. Medicare also allowed an additional $59 million in 1999 for medical equipment and supply claims with inactive UPINs. As a result, OIG recommends that the Centers for Medicare & Medicaid Services (CMS) revise claims processing edits to ensure that UPINs listed on medical equipment and supply claims are valid and active. The OIG further recommends that CMS emphasize to providers the importance of using accurate UPINs when submitting claims to Medicare.

The CMS concurs with the OIG recommendation concerning the revision of claims processing edits and has taken the necessary steps to revise claims processing edits to ensure the UPINs listed on medical equipment and supply claims are valid and active. Since the OIG study, CMS has developed instructions, system changes, and edits which will reject medical equipment and supply claims using a deceased physician's UPIN. The implementation date for this initiative is April 1, 2002. After this initiative is implemented, CMS will expand it to include invalid and inactive UPINs.

The CMS also agrees with OIG on the need to continue to emphasize to providers the importance of submitting Medicare claims with accurate UPINs. We currently provide information to providers concerning proper billing issues. Once the above-stated initiatives are put into place, we can tailor the appropriate educational vehicle to disseminate information to providers.

Fraud, waste, and abuse prevention are a priority within our Agency and we appreciate the work that OIG has undertaken to help us correct this problem.