

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**MEDICARE PAYMENTS IN 2007  
FOR MEDICAL EQUIPMENT AND  
SUPPLY CLAIMS WITH INVALID  
OR INACTIVE REFERRING  
PHYSICIAN IDENTIFIERS**



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Inspector General

February 2009  
OEI-04-08-00470

# *Office of Inspector General*

<http://oig.hhs.gov>

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## OBJECTIVE

To determine the extent to which Medicare paid medical equipment and supply claims in 2007 submitted with (1) invalid or inactive unique physician identification numbers (UPIN) or (2) invalid referring physician national provider identifiers (NPI).

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## BACKGROUND

Medicare beneficiaries are eligible to receive medical equipment and supplies deemed medically necessary by a physician under Medicare Part B coverage. In 2007, Medicare allowed almost \$11 billion for medical equipment and supplies. 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. A physician was allowed to obtain only one UPIN, but a UPIN may have been associated with more than one practice setting (i.e., location where a physician provides services).

### **Medicare Claims Processing Using UPINs**

Providers of medical equipment and supplies obtain reimbursement for items that they provide to Medicare beneficiaries by submitting claims to the CMS contractors servicing their areas. Billing suppliers identified themselves on claims using provider identification numbers. Medicare instructions also required suppliers to provide the UPIN of the referring physician (i.e., the physician who ordered the equipment and/or supplies) on claims. Medicare payments for medical equipment and supplies are authorized only when the items are ordered by physicians and meet coverage requirements. Therefore, claims with invalid or inactive UPINs should not be paid, and Medicare requires that they be returned to the supplier.

In 2001, the Office of Inspector General reported that Medicare paid almost \$91 million in 1999 for medical equipment and supply claims with invalid or inactive UPINs, including almost \$8 million for claims with UPINs of deceased physicians. Based on that report, CMS stated that it had initiated system changes to prevent payment of claims submitted with deceased physicians' UPINs. CMS also stated that it planned to implement changes to prevent payment of claims with invalid or inactive UPINs.

**Medicare Claims Processing Using NPIs**

The Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 required CMS to create NPIs to replace UPINs for Medicare claims processing. Both physicians and suppliers must apply for and obtain NPIs from CMS.

From May 2005 to May 2008, Medicare accepted medical equipment and supply claims that included UPINs only, NPIs only, or a combination of both. However, as of May 23, 2008, suppliers are required to include their own NPIs in the primary provider field on claims, and the referring physicians' NPIs in the secondary provider field. On the date when the requirement went into effect, CMS noted a large number of rejected claims because suppliers were not submitting referring physician NPIs. In response, CMS instituted a temporary provision that allows suppliers who, after reasonable effort, cannot obtain referring physicians' NPIs to instead use their own NPI in the secondary provider field. As of December 2008, CMS had not discontinued this provision.

We determined the extent to which Medicare paid medical equipment and supply claims in 2007 submitted with invalid or inactive UPINs, including UPINs of deceased physicians, or invalid NPIs of referring physicians who ordered medical equipment and/or supplies for Medicare beneficiaries. We did not determine the extent to which providers of medical equipment and supplies who received Medicare payments may have submitted claims with invalid or inactive provider identification numbers.

We considered UPINs and referring physician NPIs that had never been assigned by CMS to be invalid and UPINs associated only with inactive practice settings to be inactive.

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**FINDINGS****Medicare allowed over \$6 million for medical equipment and supply claims with invalid referring physician UPINs in 2007.**

Medicare-allowed amounts for claims with invalid referring physician UPINs totaled \$6.1 million. This amount was associated with 4,428 invalid UPINs of the 543,841 UPINs submitted on claims in 2007. Of these invalid UPINs, 75 percent (3,335 of 4,428) were associated with less than \$1,000 each in Medicare-allowed amounts. However, 10 of these 4,428 invalid UPINs were associated with more than \$50,000 each in Medicare-allowed amounts.

**Medicare allowed almost \$28 million for medical equipment and supply claims with inactive referring physician UPINs in 2007.**

Medicare-allowed amounts for claims with inactive referring physician UPINs totaled \$27.8 million. This amount was associated with 18,955 inactive UPINs of the 543,841 UPINs submitted on claims in 2007. Of the \$27.8 million, over \$24 million was associated with UPINs that had been inactive for at least 13 months and \$5 million was for claims with dates of service after the dates of death of the referring physicians. Certain Medicare claims may have been legitimately associated with UPINs that had been inactive for less than 13 months. However, claims with UPINs that had been inactive for over 13 months indicate that the UPINs were inactive on the date the rental began and, therefore, should not have been paid.

**Medicare allowed over \$300,000 for medical equipment and supply claims with invalid referring physician NPIs in 2007.** Medicare-allowed amounts for claims with invalid referring physician NPIs totaled \$333,432. This amount represented 313 invalid NPIs of the 475,535 NPIs submitted on claims in 2007. All but two of these invalid NPIs followed the correct CMS format.

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**RECOMMENDATIONS**

Prior to the full implementation of NPIs in May 2008, we analyzed Medicare medical equipment and supply claims from 2007 to determine whether CMS had addressed our earlier findings that Medicare paid claims with invalid or inactive UPINs, including UPINs belonging to deceased physicians. Although the Medicare-allowed amount for claims with invalid or inactive UPINs that should not have been paid has declined since 1999, we found that Medicare continued to pay for claims with invalid or inactive UPINs. Medicare allowed almost \$34 million in 2007 for claims with invalid or inactive UPINs, including \$5 million for claims with deceased physicians' UPINs. We also found that Medicare allowed over \$300,000 for claims with invalid referring physician NPIs.

As CMS completes the transition from UPINs to NPIs, opportunities exist to address vulnerabilities highlighted in our earlier work and again in this study. Based on our findings and discussions with CMS staff, we have concerns that invalid and inactive physician identifiers may continue to be a problem with NPIs. Although CMS appears to be implementing system changes that will verify that NPIs are submitted in the correct format, it is unclear whether there will be controls to

## E X E C U T I V E   S U M M A R Y

identify NPIs that have not been assigned or that are inactive. For this reason, we remain concerned that longstanding vulnerabilities, as well as new challenges, may affect the integrity of the NPI claims-processing system as it moves forward.

To address these concerns, we recommend that CMS:

**Determine why Medicare claims with identifiers associated with deceased referring physicians continue to be paid.**

**Implement claims-processing system changes to ensure that NPIs for both referring physicians and suppliers listed on medical equipment and supply claims are valid and active.**

**Emphasize to suppliers the importance of using accurate NPIs for both referring physicians and suppliers when submitting Medicare claims.**

**Determine the earliest date to end the provision that allows suppliers to submit claims without referring physician NPIs while maintaining beneficiary access to services.**

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### AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

CMS concurred with our recommendations and stated that it has taken steps, incorporating the recommendations from this report, toward correcting the problems we identified.

In addition, CMS provided general and technical comments on our draft report. We have modified language in the report to address these comments as appropriate.



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## OBJECTIVE

To determine the extent to which Medicare paid medical equipment and supply claims in 2007 submitted with (1) invalid or inactive unique physician identification numbers (UPIN) or (2) invalid referring physician national provider identifiers (NPI).

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## BACKGROUND

Medicare beneficiaries are eligible to receive medical equipment and supplies deemed medically necessary by a physician under Medicare Part B coverage. In 2007, Medicare allowed almost \$11 billion for medical equipment and supplies. 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.<sup>1</sup> A physician was allowed to obtain only one UPIN, but a UPIN may have been associated with more than one practice setting (i.e., location where a physician provides services). Until May 2008, CMS maintained a UPIN Registry containing information on all assigned UPINs.

### **Medicare Claims Processing Using UPINs**

Providers of medical equipment and supplies obtain reimbursement for items that they provide to Medicare beneficiaries by submitting claims to the CMS contractors servicing their areas. Billing suppliers identified themselves on claims using a provider identification number. Medicare instructions also required suppliers to provide the UPIN of the referring physician (i.e., the physician who ordered the equipment and/or supplies) on claims.<sup>2</sup> Medicare payments for medical equipment and supplies are authorized only when the items are ordered by physicians and meet coverage requirements. Therefore, claims with invalid or inactive UPINs should not be paid, and Medicare requires that they be returned to the supplier.<sup>3 4</sup> We considered UPINs that had

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<sup>1</sup> CMS also issued UPINs to doctors of osteopathy, limited licensed practitioners, and some nonphysician practitioners.

<sup>2</sup> CMS, "Medicare Claims Processing Manual," Ch. 1 § 80.3.2.1.2, Rev. 1328. Available online at <http://www.cms.hhs.gov/manuals/downloads/clm104c01.pdf>. Accessed on August 5, 2008.

<sup>3</sup> Ibid.

<sup>4</sup> Certain Medicare claims may have been legitimately associated with UPINs that had been inactive for less than 13 months. However, claims with UPINs that had been inactive for over 13 months indicate that the UPINs were inactive on the date the rental began and, therefore, should not have been paid.



never been assigned by CMS to be invalid and UPINs associated only with inactive practice settings to be inactive.

In 2001, the Office of Inspector General (OIG) reported that Medicare paid almost \$91 million in 1999 for medical equipment and supply claims with invalid or inactive UPINs, including almost \$8 million for claims with UPINs of deceased physicians.<sup>5</sup> OIG recommended that CMS revise its claims-processing systems to ensure that UPINs listed on medical equipment and supply claims are valid and active. In response to this recommendation, CMS issued two sets of instructions for system changes to its contractors to deny claims submitted with deceased physicians' UPINs. CMS also stated that it planned to implement changes to prevent payment of claims with invalid or inactive UPINs. As of July 2008, CMS had not taken further action to address the issue of invalid and inactive UPINs.

### **Medicare Claims Processing Using NPIs**

The Administrative Simplification provisions of the Health Insurance Portability and Accountability Act of 1996 required CMS to create NPIs to replace UPINs for Medicare claims processing. Both physicians and suppliers must apply for and obtain NPIs from CMS.<sup>6</sup> NPIs, as well as UPINs, are valuable program integrity safeguards. Medicare relies on physicians and other health care providers to ensure that only medically necessary medical equipment and/or supplies are ordered. When suppliers put UPINs or referring physicians' NPIs on claims, they are indicating that physicians have verified the need for beneficiaries to obtain equipment and/or supplies. In addition, UPINs and NPIs enable CMS to determine who prescribed the equipment and/or supplies as part of any postpayment reviews.

From May 2005 to May 2008, Medicare accepted medical equipment and supply claims that included UPINs only, NPIs only, or a combination of both.<sup>7</sup> As of May 23, 2008, suppliers are required to include their own NPIs in the primary provider field on claims and the referring

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<sup>5</sup> OEI-03-01-00110, "Medical Equipment and Supply Claims With Invalid or Inactive Physician Numbers."

<sup>6</sup> CMS launched an online NPI registry in September 2007. See "Data Dissemination" for additional details. Available online at [http://www.cms.hhs.gov/NationalProvIdentStand/06a\\_DataDissemination.asp](http://www.cms.hhs.gov/NationalProvIdentStand/06a_DataDissemination.asp). Accessed on August 12, 2008.

<sup>7</sup> CMS. "MLN Matters Bulletin," Number MM5595. Available online at <http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM5595.pdf>. Accessed on August 7, 2008. This bulletin states that Medicare will accept claims with legacy numbers only, NPIs only, or a combination. UPINs are a subset of legacy numbers.

physicians' NPIs in the secondary provider field.<sup>8 9</sup> On the date when the requirement went into effect, CMS noted a large number of rejected claims because suppliers were not submitting referring physician NPIs.<sup>10</sup> In response, CMS instituted a temporary provision that allows suppliers who, after reasonable effort, cannot obtain referring physicians' NPIs to instead use their own NPIs in the secondary provider field.<sup>11</sup> As of December 2008, CMS had not discontinued this provision.

### **Related OIG Work**

In addition to issuing the 2001 report previously mentioned, OIG has issued several reports related to UPINs. These reports address the accuracy of UPIN data as well as the use of invalid or inactive UPINs on claims for medical equipment and supplies.

In a 1999 report, OIG included recommendations that the Health Care Financing Administration (now CMS) ensure that UPINs for inactive providers are deactivated.<sup>12</sup> In a 2001 report, OIG recommended that CMS take steps to validate and update UPIN Registry data.<sup>13</sup>

In 2002, OIG recommended that CMS perform a targeted review of medical equipment and supply claims ordered using surrogate UPINs (i.e., temporary, substitute UPINs).<sup>14</sup> OIG also recommended that CMS continue to educate suppliers and physicians that accurate UPINs must be used on claims and that surrogate UPINs should not be used if the referring physicians had permanent UPINs. Finally, in 2003, OIG issued a report including a recommendation for CMS to correct inaccurate and incomplete information in the UPIN Registry.<sup>15</sup>

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<sup>8</sup> "Overview: National Provider Identifier Standard," p. 1. Available online at [http://www.cms.hhs.gov/NationalProvIdentStand/01\\_Overview.asp#TopOfPage](http://www.cms.hhs.gov/NationalProvIdentStand/01_Overview.asp#TopOfPage). Accessed on July 23, 2008.

<sup>9</sup> "CMS Communications: National Provider Identifier Standard," p. 1. Available online at [http://www.cms.hhs.gov/NationalProvIdentStand/02\\_WhatsNew.asp#TopOfPage](http://www.cms.hhs.gov/NationalProvIdentStand/02_WhatsNew.asp#TopOfPage). Accessed on July 23, 2008.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

<sup>12</sup> OEI-07-98-00410, "Accuracy of Unique Physician Identification Number Data."

<sup>13</sup> OEI-03-99-00131, "Inaccuracies in the Unique Physician Identification Number Registry: Incorrect Addresses for Mental Health Services Providers."

<sup>14</sup> OEI-03-01-00270, "Durable Medical Equipment Ordered With Surrogate Physician Identification Numbers."

<sup>15</sup> OEI-03-01-00380, "Accuracy of Unique Physician/Practitioner Identification Number Registry Data."

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## METHODOLOGY

We determined the extent to which Medicare paid medical equipment and supply claims in 2007 submitted with invalid or inactive UPINs, including UPINs of deceased physicians, or invalid NPIs of referring physicians who ordered medical equipment and/or supplies for Medicare beneficiaries. We did not determine the extent to which providers of medical equipment and supplies who received Medicare payments may have submitted claims with invalid or inactive provider identification numbers.

### Data Collection and Analysis

We obtained a file containing 100 percent of 2007 medical equipment and supply claims from CMS's National Claims History File. We also obtained a UPIN database extracted from the UPIN Registry.<sup>16</sup> The UPIN database is composed of two files: one file with UPINs associated with active practice settings in 2007 and another file with UPINs associated with inactive practice settings in 2007. In addition, we spoke with CMS officials regarding NPIs and obtained the NPI directory from the CMS Web site on June 9, 2008.

To identify claims with invalid or inactive UPINs, we first compared the files of UPINs associated with active and inactive practice settings contained in the CMS UPIN database. We considered UPINs that were associated with at least one active practice setting to be active. We considered UPINs associated only with inactive practice settings to be inactive. This resulted in a list of active UPINs and a list of inactive UPINs for further comparison.

We then compiled a list of UPINs appearing on the claims under review and compared them to the lists of active and inactive UPINs. We considered all UPINs that appeared on the claims but not on either list of active or inactive UPINs to be invalid.

We also compared the list of UPINs appearing on the claims under review to the list of inactive UPINs. We considered all UPINs that appeared on claims on which the dates of service occurred after the most recent practice setting inactivation dates to be inactive.

Once we identified claims with invalid or inactive UPINs, we determined whether they also had valid referring physician NPIs as

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<sup>16</sup> According to CMS, the UPIN database was retired in June 2007 when CMS ceased issuing UPINs. Although the UPIN files remain available, the information in the files has not changed since June 2007.

listed in the 2008 NPI directory. We excluded all claims with invalid/inactive UPINs and valid referring physician NPIs from further analysis (this group included surrogate [i.e., temporary] UPINs). From the remaining claims, we identified claims with invalid referring physician NPIs.

To identify claims with invalid referring physician NPIs, we compiled a list of NPIs on the claims under review and compared them to the 2008 NPI directory. We considered all claims with NPIs that appeared on the claims but not in the directory to be invalid.

We calculated the total allowed amounts for (1) claims with invalid UPINs (including those with no UPIN) and no referring physician NPIs, (2) claims with inactive UPINs and no referring physician NPIs, and (3) claims with invalid referring physician NPIs and invalid/inactive UPINs (including those with no UPIN).

For claims with inactive UPINs and no referring physician NPIs, we also calculated the total allowed amount according to how long a UPIN had been inactive. We determined how long a UPIN had been inactive by comparing the date of service on a claim to the most recent practice setting inactivation date, as listed in the UPIN database.

In addition, we determined whether and/or when a referring physician had died using the file of inactive UPINs that we obtained from CMS. Next, we determined the total allowed amount for claims with inactive UPINs, no referring physician NPIs, and dates of service after the date of death of the referring physician.

For claims with invalid referring physician NPIs, we also determined whether the NPIs followed the correct CMS format of 10 digits starting with a 1, 2, 3, or 4.

### **Limitations**

We could not determine the extent to which claims with valid referring physician NPIs and dates of service after the death of the referring physician may have been paid. The date of death information required to complete this analysis was not available at the time of our review.

### **Standards**

This study was conducted in accordance with the “Quality Standards for Inspections” issued by the President’s Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

**Medicare allowed over \$6 million for medical equipment and supply claims with invalid referring physician UPINs in 2007**

Medicare-allowed amounts for claims with invalid referring physician UPINs totaled \$6.1 million.<sup>17</sup> This amount was

associated with 4,428 invalid UPINs out of the 543,841 UPINs submitted on claims in 2007. Of the invalid UPINs, 75 percent (3,335 of 4,428) were associated with less than \$1,000 each in Medicare-allowed amounts. However, 10 of these 4,428 invalid UPINs were associated with more than \$50,000 each in Medicare-allowed amounts, including three invalid UPINs that were associated with more than \$100,000 each.

**Medicare allowed almost \$28 million for medical equipment and supply claims with inactive referring physician UPINs in 2007**

Medicare-allowed amounts for claims with inactive referring physician UPINs totaled \$27.8 million.<sup>18</sup> This amount was

associated with almost 19,000 inactive UPINs out of the 543,841 UPINs submitted on claims in 2007. Of the inactive UPINs, 94 percent (17,852 of 18,955) had been inactive for at least 13 months and accounted for a total of \$24.8 million in Medicare-allowed amounts.<sup>19</sup> Thirty-five UPINs listed on medical equipment and supply claims had been inactive for more than 17 years each by the claims' dates of service.<sup>20</sup>

Certain Medicare claims may have been legitimately associated with UPINs that had been inactive for less than 13 months. Suppliers may rent certain medical equipment, such as hospital beds, for as long as 13 consecutive months to Medicare beneficiaries.<sup>21</sup> A physician may

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<sup>17</sup> The \$6.1 million represents allowed amounts for claims with invalid UPINs and no referring physician NPIs.

<sup>18</sup> The \$27.8 million represents allowed amounts for claims with inactive UPINs and no referring physician NPIs.

<sup>19</sup> There were a total of 18,962 inactive UPINs submitted on the claims under review, but there was insufficient information in the CMS UPIN directory to determine the length of time during which 7 of these UPINs had been inactive. Therefore, we excluded these 7 UPINs for a total of 18,955 inactive UPINs.

<sup>20</sup> No claim had a UPIN that had been inactive 18 years or longer.

<sup>21</sup> Deficit Reduction Act of 2005, S.1932 § 5101. Available online at <http://thomas.loc.gov/cgi-bin/query/F?c109:5:./temp/~c109ctUKD2:e104283>. Accessed on August 22, 2008.

F I N D I N G S

have written a prescription for an item for 13 months and retired or died during the prescription period. However, claims with UPINs that had been inactive for over 13 months indicate that the UPINs were inactive on the dates when the rentals began and, therefore, should not have been paid.

**Medicare allowed \$5 million for claims with deceased physicians' UPINs**

Of the \$27.8 million that Medicare allowed for claims with inactive UPINs, \$5 million was for claims with dates of service after the referring physicians' dates of death. The date of death information for these claims was contained in the CMS UPIN Registry. However, CMS paid the claims with the deceased physicians' UPINs.

Table 1 shows timeframes for how long a physician had been deceased before the date of service and the allowed amount associated with each timeframe.

TABLE 1		
Length of Time Physician Had Been Deceased Before the Date of Service	Allowed Amount	Percentage of Total Allowed Amount
0 to 12 months	\$870,465	17.2%
12 to 15 months	\$368,715	7.3%
15 to 24 months	\$1,223,630	24.1%
2 to 3 years	\$1,293,517	25.5%
3 to 4 years	\$714,381	14.1%
4 to 5 years	\$225,661	4.5%
Over 5 years	\$372,681	7.4%
<b>TOTAL</b>	<b>\$5,069,050</b>	<b>100.1%*</b>

\* Total exceeds 100 percent because of rounding.

**Medicare allowed over \$300,000 for medical equipment and supply claims with invalid referring physician NPIs in 2007**

Medicare-allowed amounts for claims with invalid referring physician NPIs totaled \$333,432.<sup>22</sup> This amount was

associated with 313 invalid NPIs of the 475,535 NPIs submitted on claims in 2007. All but two of the invalid NPIs followed the correct CMS format.

<sup>22</sup> The \$333,432 represents claims with invalid referring physician NPIs and invalid or inactive UPINs.



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UPINs and NPIs are valuable program integrity safeguards that indicate that physicians have verified the need for beneficiaries to obtain medical equipment and/or supplies. In addition, they enable CMS to determine who prescribed the equipment and/or supplies as part of any postpayment reviews.

Prior to the full implementation of NPIs in May 2008, we analyzed Medicare medical equipment and supply claims from 2007 to determine whether CMS had addressed our earlier findings that Medicare paid claims with invalid or inactive UPINs, including UPINs associated with deceased physicians. Although the Medicare-allowed amount for claims with invalid or inactive UPINs that should not have been paid has declined since 1999, we found that Medicare continued to pay for claims with invalid or inactive UPINs. Medicare allowed almost \$34 million in 2007 for claims with invalid or inactive UPINs, including \$5 million for claims with deceased physicians' UPINs. We also found that Medicare allowed over \$300,000 for claims with invalid referring physician NPIs.

As CMS completes the transition from UPINs to NPIs, opportunities exist to address vulnerabilities highlighted in our earlier work and again in this study. Based on our findings and discussions with CMS staff, we have concerns that invalid and inactive physician identifiers may continue to be a problem with NPIs. Although CMS appears to be implementing system changes that will verify that NPIs are submitted in the correct format, it is unclear whether there will be controls to identify NPIs that have not been assigned or that are inactive. For this reason, we remain concerned that longstanding vulnerabilities, as well as new challenges, may affect the integrity of the NPI claims-processing system as it moves forward.

To address these concerns, we recommend that CMS:

**Determine Why Medicare Claims With Identifiers Associated With Deceased Referring Physicians Continue To Be Paid.**

**Implement Claims-Processing System Changes To Ensure That NPIs for Both Referring Physicians and Suppliers Listed on Medical Equipment and Supply Claims Are Valid and Active.**

**Emphasize to Suppliers the Importance of Using Accurate NPIs for Both Referring Physicians and Suppliers When Submitting Medicare Claims.**

**Determine the Earliest Date To End the Provision That Allows Suppliers To Submit Claims Without Referring Physician NPIs While Maintaining Beneficiary Access to Services.**

In response to a large number of rejected Medicare claims that occurred after CMS required suppliers to replace UPINs with NPIs on claims, CMS instituted a temporary provision that allows suppliers to use their own NPIs in place of the referring physicians' NPIs. The provision became effective in June 2008, after the analysis review of this study. However, this provision presents a claims-processing vulnerability similar to what we identified in 2007 with suppliers submitting claims with invalid or inactive UPINs.

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**AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

CMS concurred with our recommendations and stated that it has taken several steps, incorporating the recommendations from this report, toward correcting the problems we identified.

CMS stated that it currently deactivates Medicare billing privileges of any provider that has not billed the Medicare program for 12 consecutive months. In addition, CMS stated that it has developed various procedures designed to ensure that the Medicare billing privileges of deceased physicians are promptly terminated.

CMS also stated that it has developed procedures to reject claims if the referring physician is not enrolled in Medicare and is not of the specialization that can refer in the Medicare program. Finally, CMS stated that it has conducted substantial outreach to the provider community and has instructed its contractors to perform outreach to medical societies and organizations, stressing the need for them to inform CMS contractors on the deaths of physicians participating in Medicare.

However, CMS did not specifically address our recommendation that it determine the earliest date to end the provision that allows suppliers to submit claims without referring physician NPIs while maintaining beneficiary access to services.

In addition to concurring with our recommendations, CMS provided general and technical comments on our draft report. In its general comments, CMS recommended that OIG clarify that the UPINs at issue in our draft report were those used to identify referring





## R E C O M M E N D A T I O N S

physicians, not the suppliers who received the Medicare payments. We have incorporated additional clarifying language to address CMS's concerns.

Finally, we have modified language in the report to address CMS's technical comments as appropriate. The full text of CMS's comments is provided in the Appendix.

▶ A P P E N D I X

Agency Comments

	<b>DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>	Centers for Medicare & Medicaid Services
		200 Independence Avenue SW Washington, DC 20201
<b>DATE:</b>	DEC - 5 2008	
<b>TO:</b>	Daniel R. Levinson Inspector General	
<b>FROM:</b>	Kerry Weems Acting Administrator	
<b>SUBJECT:</b>	Office of Inspector General (OIG) Draft Report: "Medicare Payments in 2007 for Medical Equipment and Supply Claims With Invalid or Inactive Physician Identifiers," (OEI-04-08-00470)	

Thank you for the opportunity to review and comment on the OIG draft report entitled "Medicare Payments in 2007 for Medical Equipment and Supply Claims With Invalid or Inactive Physician Identifiers." We appreciate the effort that went into drafting this report, and the recommendations made by the OIG on improvements that could be made to maintain the integrity of the National Provider Identifiers (NPI) claims processing system as the Centers for Medicare and Medicaid Services (CMS) transitions from Unique Physician Identification Numbers (UPINs) to NPIs.

Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) suppliers must meet all supplier standards to establish and maintain billing privileges in the Medicare program. As of September 30, 2009, all DMEPOS suppliers, except the excepted professionals and persons, must be accredited before they can receive payment from Medicare. The Medicare program pays for DMEPOS items that are medically necessary. DMEPOS must be ordered by a physician or non-physician practitioner who is eligible to order under the Medicare program and who has active billing privileges with the Medicare program. The physician or non-physician must be enrolled as a supplier, and his/her billing privileges must not have been suspended or revoked. Although the ordering physician or non-physician practitioner may also be a DMEPOS supplier and may, therefore, bill Medicare for DMEPOS, in general, the physician or non-physician practitioner orders the DMEPOS which is then delivered by a DMEPOS supplier. The DMEPOS supplier bills and is paid by Medicare. In either case, the DMEPOS supplier's claim must contain the identifier for the DMEPOS supplier, as well the identifier for the ordering physician or non-physician practitioner. At issue in this report are claims that were paid to the DMEPOS supplier with invalid or inactive UPINs or UPINs assigned to deceased physicians that were used to identify the ordering physician or non-physician practitioner.

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The CMS is concerned that throughout the report reference is made to claims containing invalid or inactive UPINs or UPINs that belonged to deceased physicians. The report gives the impression that the DMEPOS suppliers who submitted claims to Medicare identified themselves with invalid or inactive UPINs or that the *billing suppliers* used UPINs that belonged to deceased physicians. However, the report actually addresses invalid and inactive UPINs or UPINs of deceased physicians that were used to identify the *ordering physicians or non-physician practitioners* in those claims. The OIG should clearly state that the UPINs at issue in this report were those used to identify *ordering physicians or non-physician practitioners*, not the DMEPOS *suppliers* who received the Medicare payments.

#### **OIG Recommendations**

- Determine why Medicare claims with identifiers associated with deceased referring physicians continue to be paid.
- Implement claims-processing system changes to ensure that NPIs listed on medical equipment and supply claims are valid and active.
- Emphasize to suppliers the importance of using accurate NPIs when submitting Medicare claims.
- Determine the earliest date to end the provision that allows suppliers to submit claims without referring physician NPIs while maintaining beneficiary access to services.

#### **CMS Response**

The CMS concurs with the OIG's recommendations. We have already taken several important steps towards alleviating the problems identified and incorporating the recommendations from this draft report.

- Currently, we deactivate Medicare billing privileges of any provider/supplier that has not billed the Medicare program for 12 consecutive months. This helps guard against fraud because it does not allow unscrupulous individuals to access the billing privileges of the deactivated provider;
- We have developed various procedures designed to ensure that the Medicare billing privileges of deceased physicians and non-physician practitioners are promptly terminated. On a monthly basis, CMS will receive from the Social Security Administration a file of deceased individuals. CMS will verify the deaths of any individuals in that file who have NPIs. A file of those individuals will be run against the Medicare enrollment system (PECOS), and any individual in that file who is enrolled in Medicare will have his/her Medicare enrollment terminated;
- We have developed procedures to reject claims if the ordering/referring physician or non-physician practitioner is not enrolled in Medicare and is not of the type/specialization who can order/refer in the Medicare program. These claims are not limited to those from DMEPOS suppliers;

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- We have conducted substantial outreach to the provider community over the past year concerning the need for providers and suppliers to submit correct NPIs on all claims; and
- We have instructed our contractors to perform outreach to medical societies and organizations stressing the need for them to promptly inform CMS' contractors of the deaths of physicians and non-physician practitioners participating in the Medicare program. We will manualize these instructions in 2009.

**TECHNICAL FINDINGS**

- Prior to the implementation of the NPI, billing providers identified themselves in claims with Provider Identification Numbers (PINs)—not UPINs. UPINs were mandated to enable the unique identification of physicians who order services, tests, or supplies for Medicare beneficiaries or who refer Medicare beneficiaries to other providers/suppliers for services (known as “ordering and referring”)—not the billing providers who send the claims requesting Medicare payments. CMS suggests that this be corrected in the report.
- This OIG draft report references the UPIN database. CMS suggests that the OIG include a footnote in the report that explains that the UPIN database was retired in June 2007 when CMS ceased issuing UPINs. Although UPIN files remain available, the information in the files has not changed since June 2007.
- On page 4 of the draft report, there is a reference to the use of “the June 9, 2008, NPI directory.” NPI data are publicly available in two ways: from a real-time, on-line system called the NPI Registry or from a monthly file that is available on the Internet. The OIG should clarify the NPI source that was used since there is not a June 9, 2008, NPI directory.
- The footnote on page 5 mentions the NPI check-digit algorithm, and the reference should be corrected. The check-digit is the 10<sup>th</sup> digit of the NPI, and the check digit determines the validity of the NPI.

The CMS would like to thank the OIG for its efforts on this report. We look forward to continuing to work with the OIG in the future to strengthen our oversight efforts and identify and prevent fraud, waste, and abuse in the Medicare program.

## ► A C K N O W L E D G M E N T S

This report was prepared under the direction of Dwayne F. Grant, Regional Inspector General for Evaluation and Inspections in the Atlanta regional office.

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