

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF MEDICAID PAYMENTS FOR
OXYGEN RELATED DURABLE
MEDICAL EQUIPMENT AND SUPPLIES**

**JANUARY 1, 1998 THROUGH
DECEMBER 31, 2000**

**PENNSYLVANIA DEPARTMENT
OF PUBLIC WELFARE
HARRISBURG, PENNSYLVANIA**



JANET REHNQUIST
Inspector General

SEPTEMBER 2002
A-05-01-00105



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

September 4, 2002

Common Identification Number A-05-01-00105

Michael L. Stauffer, Deputy Secretary for Administration
Commonwealth of Pennsylvania
Department of Public Welfare
Office of Administration
Health and Welfare Buildings, Room 234
P.O. Box 2675
Harrisburg, Pennsylvania 17105-2675

Dear Mr. Stauffer:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' (OAS) report entitled "Audit of Medicaid Payments for Oxygen Related Durable Medical Equipment and Supplies" for the period January 1, 1998 through December 31, 2000. A copy of this report will be forwarded to the action official noted below for her review and any action deemed necessary.

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.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), OIG, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

To facilitate identification, please refer to Common Identification Number A-05-01-00105 in all correspondence relating to this report.

Sincerely,

Paul Swanson
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:

Associate Regional Administrator
Centers for Medicare and Medicaid Services, Region III
Division of Medicaid and State Operations
150 S. Independence Mall West, Suite 218 C
Philadelphia, Pennsylvania 19106-3499



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

September 4, 2002

Common Identification Number A-05-01-00105

Michael L. Stauffer, Deputy Secretary for Administration
Commonwealth of Pennsylvania
Department of Public Welfare
Office of Administration
Health and Welfare Buildings, Room 234
P.O. Box 2675
Harrisburg, PA 17105-2675

Dear Mr. Stauffer:

This report presents the results of our Audit of Medicaid Payments for Oxygen Related Durable Medical Equipment (DME) and Supplies. The objective of our review was to determine if the Pennsylvania Medicaid program was reimbursing providers amounts in excess of State Medicare limits for DME and supplies used to provide oxygen. Based on our review of payments for Medicaid DME and supply claims, with dates of service during our audit period of January 1, 1998 through December 31, 2000, we found that the Medicaid program was overcharged approximately \$3.4 million due to excessive Medicaid reimbursement rates.

We determined that providers received reimbursements for DME and supplies at rates that exceeded the amount necessary to enlist the participation of an adequate number of participants. The higher reimbursements occurred because the State agency set the reimbursement limits for these items above the dollar amount allowed for similar items under the Medicare program and other State Medicaid programs.

We are recommending that the State refund the Medicaid program \$3,378,481 (Federal share \$1,813,649) for excessive reimbursements to providers and limit the maximum allowable price for DME and supplies to an amount equal to or less than the Medicare allowable amount for the same items.

In a written response dated August 15, 2002, a State agency official generally concurred with our recommendations. The response is included in its entirety as an Appendix to this report.

BACKGROUND

The Medicaid program is jointly administered by the Federal government, through the Centers for Medicare and Medicaid Services (CMS) and by the States, through their designated State agency. Within broad guidelines established by Federal statutes, regulations and policies, each state determines the type, amount, and scope of services and sets the rate of payment for services.

The CMS also administers the Medicare program, which generally provides medical care for the elderly. The CMS prepares a fee schedule for DME, prosthetics, orthotics, and supplies provided under the Medicare program. The fee schedule is updated, annually and as needed, by a regional carrier responsible for a specific geographic area. The fee schedule is segregated by CMS Common Procedure Coding System (HCPCS) numbers. Groups of HCPCS numbers are associated with specific categories of services. The Oxygen category contains 17 specific HCPCS numbers.

The Pennsylvania Medicaid State Plan provides that maximum reimbursement fees for medical assistance covered services are determined on the basis of the following: *fees will not exceed the medicare upper limit when applicable; will be consistent with efficiency, economy and quality of care and will be sufficient to assure the availability of services to clients.*

OBJECTIVE, SCOPE AND METHODOLOGY

We conducted our audit in accordance with generally accepted government auditing standards. The objective of our review was to determine if the Pennsylvania Medicaid program reimbursed providers in excess of State Medicare limits for DME and supplies used to provide oxygen. Our audit covered payments for DME and supply claims with dates of service during our 3-year audit period of January 1, 1998 through December 31, 2000 and consisted of 131,509 paid claims totaling \$19,854,523

As a part of the review, we obtained an understanding of the internal control structure relative to the payment of claims for items of DME and supplies. However, the objective of the audit did not require an assessment of these internal controls.

To accomplish our objective, we:

- Identified the codes used to claim reimbursement for oxygen related DME and supplies provided to Pennsylvania Medicaid recipients,
- Obtained the Pennsylvania Medicare and Medicaid payment limits for items of oxygen related DME and supplies,
- Obtained Medicaid claims data for all HCPCS numbers identified as oxygen related DME and supplies under the Medicare fee schedule, and
- Calculated the potential findings associated with limiting the Medicaid payment amount to the applicable Medicare payment limit.

We performed our audit work at the Commonwealth of Pennsylvania, Department of Public Welfare offices in Harrisburg, Pennsylvania, and at our Columbus, Ohio, office during November 2001 through March 2002.

FINDINGS AND RECOMMENDATIONS

During the 3-year audit period, the Medicaid program was overcharged \$3,378,481 (Federal share \$1,813,649) because oxygen related DME and supplies were reimbursed at levels in excess of Medicare payment limits.

The State Medicaid Supply List contained payment data on 16 of the 17 HCPCS numbers classified by CMS as oxygen related equipment and supplies under the Medicare fee schedule.

Recent changes in the Medicare fee schedules under the Balanced Budget Act of 1997 substantially reduced the payment levels for numerous Medicare items. The Act stated that for 1998, the national payment limit for oxygen and oxygen equipment is the 1997 limit reduced by 25 percent. The payment limit for 1999 and each subsequent year is the 1997 limit reduced by 30 percent. The State did not implement corresponding reductions to the Medicaid fee screens established for oxygen related equipment and supplies.

We determined that Medicaid reimbursements for 14 of the 17 oxygen related HCPCS numbers exceeded the associated amounts allowable under the Medicare payment limits. The following schedule provides details on these HCPCS numbers for each year of the audit period and shows the Medicare fee schedule amount, the number of payments involved, and the associated dollar amounts over the Medicare fee schedule.

Year	HCPCS	Description	Medicaid Fee Schedule Amounts	Medicare Fee Schedule Amounts	Payment Exceeds Medicare Fee Number of Units	Payments in Excess of Fee Schedule Amount
1998	A4621	Tracheotomy mask or collar	\$ 6.05	\$ 1.48	2,315	\$ 9,075
1999	A4621	Tracheotomy mask or collar	6.05	1.39	2,692	10,044
2000	A4621	Tracheotomy mask or collar	6.05	1.39	1,595	5,188
1998	E0424	Stationary compress gas	288.20	245.16	516	22,178
1999	E0424	Stationary compress gas	288.20	228.80	398	23,641
2000	E0424	Stationary compress gas	288.20	228.80	234	13,900
1998	E0439	Stationary liquid O2	301.18	245.16	4,296	239,280
1999	E0439	Stationary liquid O2	301.18	228.80	3,283	235,439
2000	E0439	Stationary liquid O2	301.18	228.80	1,827	131,579
1998	E0441	Oxygen contents gas per/unit	186.45	173.31	1	13
1999	E0441	Oxygen contents gas per/unit	186.45	161.76	3	53
1998	E0442	Oxygen contents liq per/unit	186.45	173.31	6	79
1999	E0442	Oxygen contents liq per/unit	186.45	161.76	1	25
2000	E0442	Oxygen contents liq per/unit	186.45	161.76	10	234
1998	E0443	Port O2 contents gas/unit	24.62	22.89	3,170	5,484
1999	E0443	Port O2 contents gas/unit	24.62	21.34	1,963	6,438
2000	E0443	Port O2 contents gas/unit	24.62	21.34	2,988	9,801
1999	E0444	Port O2 contents liq/unit	24.62	21.34	3	10
2000	E0444	Port O2 contents liq/unit	24.62	21.34	16	26
1998	E1400	Oxygen concentrator < 2 lite	299.15	245.16	2,242	120,827
1999	E1400	Oxygen concentrator < 2 lite	299.15	228.80	2,079	146,033
2000	E1400	Oxygen concentrator < 2 lite	299.15	228.80	1,426	100,296
1998	E1401	Oxygen concentrator 2-3 lite	299.15	245.16	1,536	82,922
1999	E1401	Oxygen concentrator 2-3 lite	299.15	228.80	1,424	99,885

2000	E1401	Oxygen concentrator 2-3 lite	299.15	228.80	986	68,822
1998	E1402	Oxygen concentrator 3-4 lite	299.15	245.16	2,529	136,499
1999	E1402	Oxygen concentrator 3-4 lite	299.15	228.80	1,856	130,508
2000	E1402	Oxygen concentrator 3-4 lite	299.15	228.80	868	61,033
1998	E1403	Oxygen concentrator 4-5 lite	299.15	245.16	7,476	402,944
1999	E1403	Oxygen concentrator 4-5 lite	299.15	228.80	6,957	488,622
2000	E1403	Oxygen concentrator 4-5 lite	299.15	228.80	5,333	374,285
1998	E1404	Oxygen concentrator > 5 lite	299.15	245.16	2,544	136,934
1999	E1404	Oxygen concentrator > 5 lite	299.15	228.80	2,453	172,276
2000	E1404	Oxygen concentrator > 5 lite	299.15	228.80	2,044	143,795
1998	E1405	O2/water vapor enrich w/heat	299.15	278.61	11	226
1999	E1405	O2/water vapor enrich w/heat	299.15	262.25	1	37
1999	E1406	O2/water vapor enrich w/o hc	299.15	247.62	1	52
	<i>Total:</i>				67,083	\$ 3,378,481

Recommendation

We recommend that the State of Pennsylvania Department of Public Welfare:

- Refund \$3,378,481 (Federal share \$1,813,649) to the Medicaid program for excessive reimbursements to providers for oxygen related DME and supplies.
- Revise the Medicaid payment limits for oxygen related DME and supplies to ensure that amounts do not exceed the associated limits under the Medicare fee schedule.

If you have any additional comments or concerns, please address them to the HHS Action Official shown on the Report Distribution List. To facilitate identification, please refer to Common Identification Number A-05-01-00105 in all correspondence related to this report.



Paul Swanson
Regional Inspector General
for Audit Services

APPENDIX



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
P.O. BOX 2675
HARRISBURG, PENNSYLVANIA 17105-2675

AUG 15 2002

Michael Stauffer
Deputy Secretary for Administration

(717) 787-3422
Email: MikeS@dpw.state.pa.us

Mr. Paul Swanson
Regional Inspector General for Audit
Services
Office of Inspector General
Department of Health and Human Services
233 North Michigan Avenue
Chicago, Illinois 60601

Dear Mr. Swanson:

Thank you for your May 14, 2002, letter in which you transmitted the draft report entitled "Audit of Medicaid Payments for Oxygen Related Durable Medical Equipment and Supplies" for the period January 1, 1998, to December 31, 2000 (CIN A-05-01-00105). Following are the Department of Public Welfare's (DPW) comments related to the findings and recommendations contained in the report.

The DPW will revise the Medicaid payment limits for oxygen-related durable medical equipment and supplies to ensure that the amounts do not exceed the associated limits under the Medicare fee schedule.

The DPW recommends that the Centers for Medicare and Medicaid Services establish a formal method to officially inform states of Medicare fee schedule changes, including fee decreases. This will ensure that fee revisions that are not obvious in comprehensive legislation are not overlooked.

Thank you for the opportunity to respond to this audit report. Please contact Andrew Johnson, Bureau of Financial Operations, Audit Resolution Section, at (717) 783-6329 if you should need any further assistance.

Sincerely,

Michael Stauffer