STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Ohio Medicaid Program

Review of Medicaid Provider Reimbursements Made to Advanced Health Systems, Inc.

A Compliance Review prepared by the:

Fraud, Waste and Abuse
Prevention Division

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Mr. Scott Carter, Owner
Advanced Health Systems, Inc.
561 East Hines Hill Road
Hudson, Ohio 44236

Dear Mr. Carter:

We have completed our review of selected medical services rendered to Medicaid recipients by Advanced Health Systems, Inc. for the period April 1, 2000 through March 31, 2002. We identified findings in the amount of $978.18, which must be repaid to the Ohio Department of Job and Family Services (ODJFS). A "provider remittance form" is located at the back of this report for remitting payment. Because this overpayment may have resulted from a reimbursement error in ODJFS' claims processing system, we are also recommending that ODJFS correct the error and review the extent to which recoveries are due from other providers.

Please be advised that in accordance with Ohio Revised Code Section 131.02, if repayment of the findings is not made to the Ohio Department of Job and Family Services within 45 days of receipt of this report, this matter will be referred to the Ohio Attorney General's office for collection.

We also identified questioned costs of $177,946.24 for services that we believe were billed in excess of your usual and customary fee for oxygen concentrator services to nursing home recipients. We are recommending that ODJFS as the program administrator make the final determination on these questioned costs and pursue the appropriate recovery action.

Copies of this report are being sent to the Ohio Department of Job and Family Services, the Ohio Attorney General, and the Ohio State Medical Board. If you have any questions, please feel free to contact Johnnie L. Butts, Jr., Chief, Fraud, Waste and Abuse Prevention Division, at (614) 466-3212.

Yours truly,

JIM PETRO
Auditor of State

November 14, 2002

TABLE OF CONTENTS

ABBREVIATIONS

AMA	American Medical Association
AOS	Auditor of State
CMS	Center for Medicare and Medicaid Services (formerly known as HCFA)
CPT	Physician's Current Procedural Terminology
DME	Durable Medical Equipment
FWAP	Fraud, Waste, and Abuse Prevention (Division of)
HCFA	Health Care Financing Administration
HCPCS	HCFA Common Procedure Coding System
LPM	Liters Per Minute
ODJFS	Ohio Department of Job and Family Services
OAC	Ohio Administrative Code
ORC	Ohio Revised Code

This Page Intentionally Left Blank

SUMMARY OF RESULTS

The Auditor of State performed a review of Advanced Health Systems, Inc., Provider Number 0738045, doing business at 561East Hines Hill Road, Hudson, Ohio 44236. During this audit, findings amounting to $978.18 were identified for recovery for services that did not meet reimbursement rules of the Durable Medical Equipment Manual and the Ohio Administrative Code. We also identified questioned costs of $177,946.24 for services that appear to have been billed in excess of the Provider's usual and customary fee for oxygen services.

BACKGROUND

The Auditor of State, working in cooperation with the Ohio Department of Job and Family Services, performs reviews to assess Medicaid providers' compliance with Federal and State claims reimbursement rules. A Provider renders medical, dental, laboratory, or other services to Medicaid recipients.

Medicaid was established in 1965 under the authority of Title XIX of the Social Security Act and is a Federal/State financed program which provides assistance to low income persons, families with dependent children, the aged, the blind, and the disabled. The Ohio Department of Job and Family Services (ODJFS) administer the Medicaid program. The rules and regulations that providers must follow are issued by ODJFS in the form of an Ohio Medicaid Provider Handbook.

ODJFS' Medicaid Provider Handbook, Chapter 3334, General Information, Section II, Subsection (B) states, "Medical necessity" is the fundamental concept underlying the Medicaid program. A physician must authorize medical services within the scope of his/her licensure and based on their professional judgment of those services needed by an individual. Medically necessary services are services which are necessary for the diagnosis or treatment of disease, illness, or injury and meet accepted standards of medical practice."

Durable medical equipment services are among the services reimbursed by the Medicaid program when delivered by eligible providers to eligible recipients. Durable medical equipment encompasses equipment which can stand repeated use and is primarily and customarily used to serve a medical purpose. Requirements for providers of durable medical equipment services are covered in ODJFS' Durable Medical Equipment Manual, which is a part of the Ohio Medicaid Provider Handbook.

All durable medical equipment services that are reimbursed by Medicaid must be prescribed by a physician. For ongoing services or supplies, a new prescription must be obtained at least every twelve months. Providers must keep copies of prescriptions which include a diagnosis in their files.

Pursuant to the Medicaid Handbook, Chapter 3334, Section IV, Subsection B, and the Ohio Administrative Code Section 5101:3-1-172, (E), providers are required to: "Maintain all records necessary and in such form so as to fully disclose the extent of services provided and significant business transactions. The provider will maintain such records for a period of six years from the

date of receipt of payment based upon those records or until any initiated audit is completed, whichever is longer".

Pursuant to the Ohio Medicaid Provider Handbook, Chapter 3334, Section V, Subsection B(6), (OAC Section 5101:3-1-198), overpayments, duplicate payments or payments for services not rendered are recoverable by the department at the time of discovery."

In addition, rule 5101:3-1-29 (C) of the OAC states: "In all instances of fraud and abuse, any amount in excess of that legitimately due to the provider will be recouped by the department through its surveillance and utilization review section, the state auditor, or the office of the attorney general."

"Abuse" is defined in rule 5101:3-1-29 (B) as...those provider practices that are inconsistent with professional standards of care; medical necessity; or sound fiscal, business, or medical practices; and result in an unnecessary cost to the Medicaid program."

PURPOSE, SCOPE AND METHODOLOGY

The purpose of this review was to determine whether the Provider's claims to Medicaid for reimbursement of durable medical equipment services were in compliance with regulations and to calculate the amount of any overpayment resulting from non-compliance.

We informed the Provider by letter that they were selected for a compliance review. An Entrance Conference was held on July 1, 2002 at the provider's facility with Mr. Scott Carter, Owner, and Mrs. Linda Donat, Director of Respiratory Services.

We utilized ODJFS' Medicaid Durable Equipment Manual and the Ohio Administrative Code (OAC) as guidance in determining the extent of service and applicable reimbursement rates. We obtained the provider's claims history from ODJFS' Medicaid Management Information System (MMIS), which lists services billed to Medicaid and paid to providers. This computerized claims data includes patient name, place of service, date of service, and type of procedure/service. These healthcare procedures and services are codified using one or more of the following five digit coding systems:

- Current Procedural Terminology (CPT)[1],
- Health Care Financing Administration's[2] (HCFA) Common Procedural Coding System (HCPCS), and
- ODJFS' local level codes.

[1]The CPT is published by the American Medical Association (AMA) for the purpose of providing a uniform language to describe medical services.

[2]The Center for Medicare and Medicaid Services (formerly known as HCFA) has federal oversight of the Medicaid program. HCFA has federal oversight of the Medicaid program.

The scope of our review was limited to claims for which the Provider was paid by Medicaid during the period April 1, 2000 through March 31, 2002. During this audit period, the Provider was reimbursed $733,547.76 for 3,511 durable medical equipment services provided to 812 Medicaid recipients. Of the $733,547.76, the provider was reimbursed $426,447.78 for oxygen concentrators and liquid oxygen for patients residing in long term care facilities and $307,099.98 for ventilators and back-up ventilators residing in long term care facilities.

To facilitate an accurate and timely review of paid claims, we analyzed statistical random samples of oxygen services. During our random samples, we did not find any missing documentation that would render services ineligible for reimbursement under the rules of the Ohio Department of Job and Family Services (ODJFS) Medicaid Provider Handbook. However, we identified other findings which are discussed below.

Our work was performed between June 2002 and August 2002 in accordance with government auditing standards.

FINDINGS

During our review we noted an error in reimbursement for $978.18. This error involved Procedure code Y2076 and Y2079 with a QE modifier attached. Additionally, we identified questioned costs of $177,946.24 for services that appear to have been billed in excess of the Provider's usual and customary fee for oxygen services. The basis for the finding and questioned cost are detailed below.

Erroneous Payment for QE Modifier

During our review period the Provider billed for oxygen services using procedure codes Y2076 and Y2079 in conjunction with a "QE modifier", reflecting a lesser amount of oxygen usage. In accordance with 5101:3-10-13(C)(1) of the OAC, both procedure codes, when billed with a QE modifier, are paid at 50% of the maximum allowable amount of $178.56, or $89.28. We determined, however, that the Provider had been reimbursed at a higher rate ($96.42) in these instances, amounting to an overpayment of $7.14 for each occurrence, or a total of $978.18 during our review period.

The Provider stated the higher reimbursement rate stems from an agreement reached between providers and ODJFS (then the Ohio Department of Human Services) in 1993. We asked policy staff from ODJFS' Office of Ohio Health Plans to research this matter, and while they believe such an agreement may have occurred because the claims processing system is programmed to pay at the higher rate. However, because the agreement had never been formalized in the OAC, and because 5101:3-1-198 of the OAC states that errors in payment, caused by either the provider or the department are recoverable by the department at the time of discovery, we identified $978.18 in findings that are repayable to ODJFS.

Because this overpayment may have resulted from a reimbursement error in ODJFS' claims processing system and likely affects reimbursements to other oxygen services providers, we are also recommending that ODJFS correct the error and review the extent to which recoveries are due from other providers.

Questioned Costs Regarding Usual and Customary Fee

In order to supply medical services to Medicaid recipients, providers sign a provider agreement. The Ohio Administrative Code § 5101:3-1-172 states, in part:

> A "Provider Agreement" is a contract between the Ohio department of job and family services and a provider of medical ASSISTANCE services in which the provider agrees to comply with the terms of the "Provider Agreement," state statutes and ODJFS Administrative Code rules, and federal statutes and rules, and agrees to:
>
> (B) Bill the Ohio department of job and family services for no more than the usual and customary fee charged other patients for the same service.

In addition, the Ohio Administrative Code § 5101:3-10-13 (H)(4), Oxygen: covered services and limitations, states billed charges shall be the provider's ***usual and customary charge*** for the oxygen actually used by the recipient.

Upon review of 44 contracts that the Provider held with long term care facilities during our audit period, we found that the Provider charged different rates for the use of oxygen concentrators, but the median rate charged by the Provider was $80.00 per month.

We are questioning $177,946.24 of Medicaid's costs for concentrator services because they appear to exceed the Provider's usual and customary charges. The Provider charged Medicaid $178.56 per concentrator per month of service approximately 90 percent of the time, while the median rate charged by the Provider to the nursing facilities was $80.00 per month. We calculated the difference between what was paid to the Provider by Medicaid (an average of $175.77 per month) and the rate charged by the Provider to long term care facilities for the period of April 1, 2000 through March 31, 2002; which amounted to $177,946.24 for 1,858 dates of service. This calculation was based only on procedure code Y2076 associated with oxygen concentrators. Adjustments were made to the questioned costs to incorporate the corrected amount that the Provider was to have been reimbursed, $89.28, for those service periods already identified in the QE Modifier Section.

The Provider disagreed with our analysis on the basis that the Medicaid fee is meant to cover all oxygen equipment supplied to a Medicaid patient, including a concentrator, a liquid portable unit and liquid oxygen for the unit. When billing nursing homes for these same services, he said, these items would be billed separately and could total $205 per month. We disagree. While it is true that Medicaid does not pay additional fees when nursing home patients with concentrators also receive liquid portable units and liquid oxygen, it is not true that providers must absorb these costs. Both items are covered in nursing home cost reports and can be billed separately to the nursing homes.

Nonetheless, we agree that concentrator services billed to Medicaid and to nursing homes may differ in such areas as the administrative costs of measuring oxygen flow. We did not gather detailed information on what services are required for non Medicaid oxygen concentrators.

However, due to the large disparity of $95.77 per month/per concentrator between what the Provider was paid by Medicaid and the median rate charged for patients in a same setting, we question whether the amounts billed Medicaid were a "usual and customary" charge. Medicaid, like a nursing home, is a volume purchaser and should expect to benefit from reductions or discounting of fees and charges. Therefore, we are recommending that ODJFS as the program administrator make the final determination on whether these questioned costs are appropriate under Ohio Administrative Code § 5101:3-1-172 and Ohio Administrative Code § 5101:3-10-13 and pursue the appropriate recovery action.

PROVIDER'S RESPONSE

A draft report was mailed to the Provider on September 20, 2002, to afford an opportunity to provide additional documentation or otherwise respond in writing. In the response dated October 4, 2002, the Provider raised several issues concerning our findings and questioned costs. We have summarized the Provider's points in the relevant sections of the report.

AUDITEE REMITTANCE FORM

Make your check payable to the Treasurer of State of Ohio and mail check along with this completed form to:

Ohio Department of Job and Family Services
Post Office Box 182367
Columbus, Ohio 43218-2367

Auditee Name & Address:	Scott Carter, Owner Advanced Health Systems, Inc. 561 East Hines Hill Road Hudson, Ohio 44236
Auditee Provider Number:	0738045
Review Period:	4/1/00 through 3/31/02
AOS Finding Amount:	$978.18
Date Payment Mailed:	
Check Number:	

IMPORTANT:
To ensure that our office properly credits your payment, please also fax a copy of this remittance form to: Charles T. Carle at (614) 728-7398.

This Page Intentionally Left Blank

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

ADVANCED HEALTH SYSTEMS, INC.

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 14, 2002