Auditor of State
Betty Montgomery

Ohio Medicaid Program

Audit of Medicaid Reimbursements Made to Diles Hearing Center

A Compliance Audit by the:

Fraud and Investigative Audit Group
Health Care and Contract Audit Section

Auditor of State
Betty Montgomery

March 15, 2005

Barbara E. Riley, Director
Ohio Department of Job and Family Services
30 E. Broad Street, 32nd Floor
Columbus, OH 43266-0423

Re: Audit of Diles Hearing Center
Provider Number: 0214842

Dear Director Riley:

Attached is our report on Medicaid reimbursements made to Diles Hearing Center for the period April 1, 2001 through March 31, 2004. We identified $5,137.84 in findings that are repayable to the State of Ohio. Our work was performed in accordance with our interagency agreement to perform audits of Medicaid providers and Section 117.10 of the Ohio Revised Code. The specific procedures employed during this audit are described in the scope and methodology section of this report.

We are issuing this report to the Ohio Department of Job and Family Services because, as the state agency charged with administering the Medicaid program in Ohio, it is the Department's responsibility to make any final determinations regarding recovery of the findings identified herein. We have advised Diles Hearing Center that if our findings are not repaid to ODJFS within 45 days of the date of this report, this matter can be referred to the Ohio Attorney General's office for collection in accordance with Section 131.02 of the Ohio Revised Code.

As a matter of courtesy, a copy of this report is being sent to Diles Hearing Center, the Ohio Attorney General, and the Ohio State Medical Board. Copies are also available on the Auditor's web site (www.auditor.state.oh.us). If you have questions regarding our results, or if we can provide further assistance, please contact Cynthia Callender, Director of the Fraud and Investigative Audit Group, at (614) 466-4858.

Sincerely,

Betty Montgomery

Betty Montgomery
Auditor of State

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

TABLE OF CONTENTS

ACRONYMS

AMA	American Medical Association
CPT	Current Procedural Terminology
E&M	Evaluation and Management
DME	Durable Medical Equipment
HIPAA	Health Insurance Portability and Accountability Act
MMIS	Medicaid Management Information System
Ohio Adm.Code	Ohio Administrative Code
ODJFS	Ohio Department of Job and Family Services
OMPH	Ohio Medicaid Provider Handbook
Ohio Rev.Code	Ohio Revised Code

This Page Intentionally Left Blank

SUMMARY OF RESULTS

The Auditor of State performed an audit of Diles Hearing Center (hereafter called the Provider), Provider #0214842, doing business at 275 West Union St., Athens, OH 45701. We performed our audit at the request of the Ohio Department of Job and Family Services (ODJFS) in accordance with Ohio Rev.Code 117.10. As a result of this audit, we identified $5,137.84 in repayable findings, based on reimbursements that did not meet the rules of the Ohio Administrative Code, the Ohio Revised Code, and the Medicaid Provider Handbook (OMPH).

BACKGROUND

Title XIX of the Social Security Act, known as Medicaid, provides federal cost-sharing for each state's Medicaid program. Medicaid provides health coverage to families with low incomes, children, pregnant women, and people who are aged, blind, or who have disabilities. In Ohio the Medicaid program is administered by ODJFS.

Hospitals, long term care facilities, managed care organizations, individual practitioners, laboratories, medical equipment suppliers, and others (all called "providers") render medical, dental, laboratory, and other services to Medicaid recipients. The rules and regulations that providers must follow are specified by ODJFS in the Ohio Administrative Code and the OMPH. The fundamental concept of the Medicaid program is medical necessity of services: defined as services which are necessary for the diagnosis or treatment of disease, illness, or injury, and which, among other things, meet requirements for reimbursement of Medicaid covered services.[1] The Auditor of State, working with ODJFS, performs audits to assess Medicaid providers' compliance with reimbursement rules.

Ohio Adm.Code 5101:3-1-17.2(D) states that 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 audit initiated within the six year period is completed."

In addition, Ohio Adm.Code 5101:3-1-29(A) states in pertinent part: "…In all instances of fraud, waste, 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."

Ohio Adm.Code 5101:3-1-29(B)(2) states: " 'Waste and abuse' are defined as practices that are inconsistent with professional standards of care; medical necessity; or sound fiscal, business, or medical practices; and that constitute an over utilization of medicaid covered services and result in an unnecessary cost to the medicaid program."

[1] *See Ohio Adm.Code 5101:3-1-01 (A) and (A)(6)*

PURPOSE, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether the Provider's claims to Medicaid for reimbursement of medical services were in compliance with Medicaid rules. Within the Medicaid program, the Provider is listed as a supplier of medical equipment. The Provider specializes in supplying and servicing hearing aids.

Following a letter of notification, we held an entrance conference at the Provider's place of business on August 25, 2004 to discuss the purpose and scope of our audit. The scope of our audit was limited to claims, not involving Medicare co-payments, for which the Provider rendered services to Medicaid patients and received payment during the period of April 1, 2001 through March 31, 2004. The Provider was reimbursed $163,632.30 for 6,251 services rendered on 6,100 recipient dates of service during the audit period. A recipient date of service is defined as all services received by a particular recipient on a specific date.

We used the Ohio Revised Code, the Ohio Administrative Code, and the OMPH as guidance in determining the extent of services and applicable reimbursement rates. We obtained the Provider's paid claims history from ODJFS' Medicaid Management Information System (MMIS), which lists services billed to and paid by the Medicaid program. This computerized claims data included but was not limited to: patient name, patient identification number, date of service, and service rendered. Services are billed using Healthcare Common Procedural Coding System (HCPCS) codes issued by the federal government through the Centers for Medicare & Medicaid Services (CMS).[2.]

Prior to beginning our field work, we performed a series of computerized tests on the Provider's Medicaid payments to determine if reimbursements were made for potentially inappropriate services or service code combinations. Potentially inappropriate services identified by our computer analysis were selected for 100 percent review. These tests checked for the following:

- Duplicate billings for services involving the same recipient, the same date of service, the same procedure code and procedure code modifier, and the same payment amount.
- Services billed for recipients who died prior to the date of service.
- Physician services billed by a non-physician.
- Medical supplies billed in excess of price or quantity limits set by ODJFS.

The test for duplicate billed services was negative, but the other exception tests identified potential inappropriate billings. When performing our audit field work, we requested the Provider's supporting documentation for all reimbursement claims with identified exceptions.

2 These codes have been adopted for use as the Health Insurance Portability and Accountability Act (HIPAA) transaction data set and are required to be used by states in administering Medicaid. There are three levels to the HCPCS. The first level is the five (5) digit Current Procedural Terminology (CPT) coding system for physician and non physician services promulgated by the American Medical Association. The second level entails alpha-numeric codes for physician and non physician services not included in the CPT codes and are maintained jointly by CMS and other medical and insurance carrier associations. The third level is made up of local level codes needed by contractors and state agencies in processing Medicare and Medicaid claims. Under HIPAA, the level three codes are being phased out but may have been in use during our audit period.

To facilitate an accurate and timely audit of the Provider's remaining medical services; we also extracted and analyzed a statistically random sample from the subpopulation of services not already identified with potential exceptions. This sample consisted of 140 recipient dates of service, containing a total of 154 services. A recipient date of service is defined as all services received by a specific recipient on a particular date of service. Our objective was to determine whether documentation in patient files supported the services that were billed.

Our work was performed between May 2004 and January 2005.

RESULTS

We identified $5,117.84 in findings from our exception tests and $20.00 in findings from our statistical sample. The circumstances leading to the findings are discussed below:

Results of Exception Tests

The following presents the results of our exception tests.

Billing for Non-Covered Hearing Aid Repairs

Ohio Adm.Code 5101:3-10-11(E) states in pertinent part "All hearing aids dispensed must be covered by a one-year warranty of all parts (except earmolds and batteries) and labor…"

In addition, Ohio Adm.Code 5101:3-10-08(B) Hearing Aids, states in pertinent part:

> (1) "Major repair of hearing aids" is defined as a repair for which the combined charges for materials and labor exceed twenty dollars. No more than one major repair may be reimbursed in any three hundred sixty-five-day period. Payment for major repair of hearing aid includes a one year warranty to cover all repairs and all related service calls and follow-up during the one year warranty period…
>
> (2) "Minor repair of hearing aids" is defined as a repair for which the combined charge for material and labor are twenty dollars or less. No more than two minor repairs may be reimbursed in any three hundred sixty-five-day period.
>
> ***
>
> (4) Routine maintenance of hearing aids is the responsibility of the recipient or the recipient caretaker. "Routine maintenance of hearing aids" is defined as those things described in the owner's manual as routine and necessary to maintain optimum functioning of the hearing aid, including cleaning and checking.
>
> ***

During our review of the Provider's paid claims for the audit period, we determined that the Provider incorrectly billed Medicaid for 93 major and minor hearing aid repairs. These included:

- 65 services performed during the one-year warranty period, which should have been covered under warranty instead of billed to Medicaid.
- 16 services billed in excess of the allowable number of major and minor repairs reimbursable to a recipient in any 365-day period.
- 12 services for routine maintenance, cleaning and/or checking of the hearing aid, all of which are non-covered services.

Thus, we took exception with the reimbursements for 93 repair services, resulting in findings of $2,980.00.

Physician Services Charged by Non-Physician

Ohio Adm.Code 5101:3-4-01(A)(1) states in pertinent part: " 'Physician' means an individual currently licensed under state of Ohio law or under another state's law to practice medicine and surgery or osteopathic medicine and surgery."

In addition, Ohio Adm.Code 5101:3-4-06(A)(2) states in pertinent part "A physician visit' or an 'evaluation and management (E & M) service' is a face-to-face encounter by a physician with a patient for the purpose of medically evaluating or managing the patient…"

During our review of the Provider's paid claims, we determined that the Provider billed Medicaid for 27 new patient services (HCPCS 99204) that were performed by an audiologist. To bill HCPCS 99204, the services must be performed by a physician. We reviewed the credentials of the individual performing the services and determined the audiologist was not licensed in Ohio to practice medicine and surgery. Therefore, we took exception with all 27 HCPCS 99204 services, resulting in findings of $1,898.64. The Provider acknowledged that the audiologist was not a licensed physician and has since ceased billing the physician code for initial visits.

Billing for Earmold Impression(s) Included in the Cost of a Hearing Aid

Ohio Adm.Code 5101:3-10-11 states in pertinent part:

> ***
>
> (H) Payment for hearing aid includes:
>
> ***
>
> (4) Earmold impression(s);
>
> ***

During our review of the Provider's paid claims for the audit period, we determined that the Provider billed Medicaid for eight (8) earmold impression services, separate from and in addition to billing for dispensing a hearing aid. Because payment for a hearing aid includes earmold impression(s) services, we took exception with all eight services, resulting in findings of $200.00.

Billing for Services to Deceased Recipients

Ohio Adm.Code 5101:3-1-19.8(F) states in pertinent part: "Overpayments are recoverable by the department at the time of discovery…"

During our review of the Provider's paid claims for the audit period, we determined that the Provider billed Medicaid for seven services to four recipients subsequent to the recipients' dates of death. Therefore, we identified findings of $39.20 for the amount reimbursed to the Provider for services billed in months subsequent to the recipients' dates of death.

Summary of Exception Tests

Of the 423 services segregated from the sample population for special examination, we took exception with 135 services. Table 1 summarizes the exceptions found by reason and overpayment amount.

Table 1: Summary of Billing Exceptions
For the Period of April 1, 2001 – March 31, 2004

Basis for Exceptions	Number of Services with Exceptions	Repayable Finding
Billing for Hearing Aid Repairs Covered by Warranty, in Excess or Medicaid Limits or Non-Covered Services	93	$2,980.00
Physician Services Charged by a Non-Physician	27	$1,898.64
Billing Earmold Impression(s) Included with Cost of a Hearing Aid	8	$200.00
Billing for Services to Deceased Recipients	7	$39.20
Total Services with Exceptions	135	$5,117.84

Source: AOS analysis of the Provider's MMIS claims history.

Results of Sample Analysis – Missing Documentation

Ohio Adm.Code 5101:3-1-17.2(D) states that 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 audit initiated within the six year period is completed."

We found that one of the 154 services in our audit was missing documentation to support billing to ODJFS. Because the Provider did not maintain the required documentation, we were unable to confirm that the service was actually rendered. Consequently, we disallowed the payment received for this service. Since the error rate of sampled services was less than 10 percent and the overpayment was less than $1,000, we did not project the sample results to the Provider's

payment subpopulation of services not already identified with potential exceptions. Therefore, we only identified a finding for $20, which represents the reimbursement for the one service without supporting documentation.

PROVIDER'S RESPONSE

To afford an opportunity to respond to our findings, we sent a draft report to the Provider on December 3, 2004. In a December 22, 2004 written response the Provider sent some additional documentation which resulted in adjustments to our findings. In addition, the Provider disagreed with our findings of minor hearing aid repairs. Subsequently, we held a phone conference with the Provider on January 14, 2005 to discuss our findings involving minor repairs. As a result of the conference, the Provider submitted additional documentation, which we reviewed and used to further adjust our findings.

We also asked the Provider to prepare a corrective action plan addressing the deficiencies identified in our report. The Provider's corrective action plan, included in the December 22, 2004 response, is attached for the review and consideration of ODJFS' Surveillance and Utilization Review Section.

APPENDIX I

Summary of Findings for Diles Hearing Center
For the Period: April 1, 2001 to March 31, 2004

Description	Repayable Finding
Medicaid Services Sample Excluding Exceptions	$20.00
Billing for Hearing Aid Repairs Covered by Warranty, in Excess or Medicaid Limits or Non-Covered Services	$2,980.00
Physician Services Charged by a Non-Physician	$1,898.64
Billing Earmold Impression(s) Included in the Cost of a Hearing Aid	$200.00
Billing for Services to Deceased Recipients	$39.20
Total Repayable Findings	$5,137.84

Source: AOS analysis of MMIS information and the Provider's medical records

This Page Intentionally Left Blank.

DILES HEARING CENTER

Helping People Hear Since 1949

December 22, 2004

Tracie L. Thompson, CFE
Program Manager
Health Care and Contract Audit Section
Auditor of State of Ohio
35 N. Fourth Street, First Floor
Columbus, OH 43215

Re: Request for Documentation

Dear Ms. Thompson:

We have received the Draft Report of Findings following the review of our records conducted on August 25, 2004 here at the Athens office and our additional information included with our reply to the initial report. There are still some findings that we do disagree with and have enclosed additional information for your review. In general, these are related to hearing aid repairs, both major and minor.

PROPOSED PROCEDURE CHANGES:
We will no longer bill under the procedure code for initial visit since we understand that is not meant for our services and agree with those findings.

Although we do not understand how we continued to be paid for over six months for a deceased patient, R. C., we will also agree to the findings for batteries. Our procedures for supplying batteries seem appropriate as we track any mailing and ask if the patients have a current card if they call for mailing and always ask for a card if over the counter purchase.

If we continue to be a provider, we will change our procedures substantially for handling repair of hearing aids in view of the changes in reimbursement. To expect us to provide all services to the patient without any additional reimbursement when you have paid us only 10% over our invoice for a repair is totally not realistic for us. Does ODHS ask other providers to send in invoices for medical devices and/or manufacturer's estimates for prior authorization of a repair of a device? The time, tracking, cost of these additional requirements with lowered reimbursement are effectively eliminating services to the elderly or other needy citizens of Ohio.

1.800.237.7716

232 Huron Street
Jackson, Ohio 45640
740.286.1430

275 West Union Street
Athens, Ohio 45701
740.594.3571 V/TDD

435 Second Avenue
Gallipolis, Ohio 45631
740.446.7619

FINDINGS WE DISAGREE WITH:
Since we have only received $100 for a repair of any hearing aid and our cost from the manufacturer ranges from $85.00 to $110.00 typically, we think it is very reasonable to also receive $20 each for two minor repairs we may need to do in the office in any year even if a major repair was needed. These repairs are things like replacing earmold tubing, removing stuck batteries and replacing battery doors, and cleaning procedures.

In addition, numerous patients do have two hearing aids and even though one of them was under a major repair warranty, the other aid required service. Another consideration is the fact that if we could do something here such as remove a stuck battery and replace the broken door, it eliminated the need to send the hearing aid into the manufacturer under the warranty which saved handling but most importantly allowed the patient to continue to hear right away instead of waiting 10-14 days while the aid was away. It makes no sense not to allow charges for minor repairs to provide similar service to these clients, since we can not charge them as we would our private pay patients.

As I discussed with you, I want to continue to service the needs of Medicaid patients at our three offices in southeastern Ohio where services are very limited and Diles has accepted Medicaid patients since the beginning of the program. However, as a small business owner in this area, I cannot afford to actually pay out money or make absolutely nothing to cover our time, employee and overhead cost to do it. Many audiologists no longer accept Medicaid patients and I have to seriously look at the issue.

Therefore, I am requesting that we are not asked to reimburse any past payments for minor repairs even if the patient had a major repair that year. There are enclosed copies of documentation and other information that need review.

Thank you for your consideration.

Sincerely,

Diane E. McVey

Diane E. McVey
Owner/Audiologist

Auditor of State
Betty Montgomery

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

DILES HEARING CENTER

ATHENS 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
MARCH 15, 2005