



**Auditor of State
Betty Montgomery**

Ohio Medicaid Program

*Audit of Medicaid Reimbursements Made to
Galion Medical Supplies, Inc.*

A Compliance Audit by the:

**Fraud and Investigative Audit Group
Health Care and Contract Audit Section**



**Auditor of State
Betty Montgomery**

May 12, 2005

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

Re: Audit of Galion Medical Supplies, Inc
Provider Number: 2054959

Dear Director Riley:

Attached is our report on Medicaid reimbursements made to Galion Medical Supplies, Inc. for the period July 1, 2001 through June 30, 2004. We identified \$4,996.38 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 Galion Medical Supplies, Inc. 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 Galion Medical Supplies, Inc., 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,

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

TABLE OF CONTENTS

SUMMARY OF RESULTS	1
BACKGROUND	1
PURPOSE, SCOPE, AND METHODOLOGY	2
FINDINGS	3
Results of Exception Tests.....	3
Billing for Services to Deceased Recipients.....	3
Supplies Exceeding Medicaid Maximums.....	3
Items Dispensed in Excess of the Medicaid Maximum.....	4
Table 1: Listing of Supplies Dispensed in Excess of the Medicaid Maximum	4
Items Exceeding “Rent to Purchase” Price.....	4
Table 2: Listing of Supplies that Exceeded the “Rent to Purchase” Price.....	5
Surgical Gloves Billed with Erroneous Units of Service.....	5
Summary of Exception Tests	5
Table 3: Summary of Billing Exceptions.....	6
Results of Sample Analysis	6
Missing Prescriptions.....	6
Missing Documentation	7
PROVIDER’S RESPONSE.....	7
APPENDIX I	9

ACRONYMS

AMA	American Medical Association
CMS	Centers for Medicare and Medicaid Services
CPT	Current Procedural Terminology
DME	Durable Medical Equipment
HCPCS	Healthcare Common Procedural Coding System
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

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SUMMARY OF RESULTS

The Auditor of State performed an audit of Galion Medical Supplies, Inc. (hereafter called the Provider), Provider #2054959, doing business at 731 Harding Way West; Galion, OH 44833. 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 \$4,996.38 in repayable findings, based on reimbursements that did not meet the rules of the Ohio Administrative 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.

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. It also includes certain medical supplies which are "consumable, disposable, or have a limited life expectancy".

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 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

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

medical practices; and that constitute an over utilization of medicaid covered services and result in an unnecessary cost to the medicaid program.”

PURPOSE, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether the Provider’s Medicaid claims for reimbursement of medical services were in compliance with regulations and to identify, if appropriate, any findings resulting from non-compliance. Within the Medicaid program, the Provider is listed as a medical equipment supplier.

Following a letter of notification, we held an entrance conference at the Provider’s place of business on December 2, 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 July 1, 2001 through June 30, 2004. The Provider was reimbursed \$396,590.62 for 4,577 services not involving Medicare co-payments rendered during the audit period.

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.
- Medical supplies billed in excess of price or quantity limits set by ODJFS.

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.

The test for duplicate billings was negative, but the other two exception tests identified potentially erroneous reimbursements. When performing our audit field work, we reviewed the Provider's supporting documentation for all potentially erroneous reimbursement claims identified by our exception analyses.

To facilitate an accurate and timely audit of the Provider's remaining medical services, we also analyzed a stratified statistically random sample from the subpopulation of claims not identified for 100 percent review. We broke out the remaining subpopulation and selected a sample that consisted of 284 services. Our objective was to determine whether documentation in patient files supported the services that were billed.

Our work was performed between August 2004 and March 2005.

FINDINGS We identified \$4,790.18 in findings from our exception tests and \$206.20 in actual findings from our statistical sample. The circumstances leading to the findings are discussed below:

Results of Exception Tests

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 two services performed subsequent to the recipients' dates of death. Therefore, we identified findings of \$140.00 for the amount reimbursed to the Provider for services billed as being performed subsequent to the recipients' dates of death.

Supplies Exceeding Medicaid Maximums

Ohio Adm.Code 5101:3-10-03 states:

The "Medicaid Supply List" is a list of medical/surgical supplies, durable medical equipment, and supplier services, found in appendix A of this rule...

Appendix A stipulates the maximum number of items that Medicaid will allow and reimburse.

Our computer analysis identified 92 services, involving 12 different HCPCS service codes, where the Provider appeared to have billed and been reimbursed for supplies over the maximum allowed. We subtracted the maximum allowed Medicaid reimbursement from the amount billed by and paid to the Provider. The differences resulted in findings totaling \$2,089.30. The bases for these findings are detailed below.

Items Dispensed in Excess of the Medicaid Maximum

Appendix A of Ohio Adm.Code 5101:3-10-03 establishes maximum dollar amounts and/or quantities that Medicaid will cover for specific items. Our computer analysis identified 92 services, where the Provider billed and was reimbursed for supplies that exceeded the allowed maximum. After subtracting the allowed maximum from the amount paid to the Provider, we identified findings totaling \$2,089.30 for the items shown in Table 1.

Table 1: Listing of Supplies Exceeding Medicaid Maximums

HCPCS Code	HCPCS Name	Maximum Allowed Amount	Repayable Findings (\$)	Number of Exceptions
A4245	Alcohol wipes	200 per month	\$96.00	16
A4324	Male external catheter	60 per month	\$125.10	2
A4364	Adhesive for facial prosthesis	4 per 2 months	\$4.76	1
A4390	Ostomy pouch, drainable	5 per month	\$443.35	8
A4410	Ostomy skin barrier with flange	5 per month	\$142.00	5
A5072	Ostomy pouch urinary	20 per month	\$31.00	1
A6219, A6402, and A6403	Non-Impregnated gauze	The combined maximum payment is \$50 per month	\$276.50	12
A6222	Impregnated gauze	The combined maximum is 30 units per month	\$198.00	6
A4527, A4528, and A4535	Incontinence items	300 incontinence garments per month	\$509.10	33
E0241	Bathroom wall rail, straight	1 every 5 years	\$88.24	4
E0244	Raised toilet seat	1 every 5 years	\$49.25	1
E0246	Transfer tub rail attachment	1 every 5 years	\$126.00	3
Totals			\$2,089.30	92

Source of Medicaid Maximum Allowed: Ohio Adm.Code 5101: 3-10-03, Appendix A – Medicaid Supply List.

Source of estimated overpayments and exceptions: AOS analysis of the Provider’s paid claims in MMIS and Provider patient records for July 1, 2001 through June 30, 2004.

Items Exceeding “Rent to Purchase” Price

Appendix A defines some items supplied by Medicaid as “rent to purchase” items. Ohio Adm.Code 5101:3-10-03(G) states in pertinent part:”...”R/P” means item may be purchased or rented until purchase price is reached.” We identified two procedure codes billed by the Provider where the cumulative rental billings exceeded the purchase price. Table 2 lists these items and the corresponding overpayment.

Table 2: Listing of Supplies that Exceeded the “Rent to Purchase” Price

HCPCS Code	Item	“Rent to Purchase” Price	Number of Rental Months Over Purchase Price	Repayable Findings (\$)
E0600	Suction Pump/Home Model	\$217.00	10	\$383.00
E0940	Trapeze Bar, Freestanding	\$130.00	11	\$320.00
TOTAL				\$703.00

Source of Medicaid maximum: Ohio Adm.Code 5101: 3-10-03, Appendix A – Medicaid Supply List.

Source of estimated overpayments and exceptions: AOS analysis of the Provider’s paid claims in MMIS and provider patient records for July 1, 2001 through June 30, 2004.

Surgical Gloves Billed with Erroneous Units of Service

Ohio Adm.Code 5101:3-10-03(F) defines the "Max Units" indicator:

A maximum allowable (MAX) indicator means the maximum quantity of the item which may be reimbursed during the time period specified unless an additional quantity has been prior authorized. If there is no maximum quantity indicated, the quantity authorized will be based on medical necessity as determined by the department.

On April 1, 2003, the reimbursement rate for non-sterile surgical gloves (HCPCS code A4927) changed in price from \$22 per 100 gloves to \$8.69 *per box* of 100 gloves. Concurrently, the definition of a “unit of service” changed from “per individual glove” to “per box of 100 gloves.” During our review of the Provider’s patient records, we identified overpayments that appeared to result from the Provider continuing to bill “per glove,” instead of “per box,” which resulted in overpayments. We identified 191 services where the Provider billed and was overpaid for HCPCS A4927. After adjusting the amount paid to the Provider to account for the actual units supplied, we identified findings totaling \$1,857.88.

Summary of Exception Tests

Of the 549 services segregated from the sample population for special examination, we took exception with 306 services. Table 3 summarizes the exceptions found by reason and overpayment amount.

**Table 3: Summary of Billing Exceptions
For the Period of July 1, 2001 – June 30, 2004**

Basis for Exceptions	Number of Services with Exceptions	Repayable Findings (\$)
Items Dispensed in Excess of the Medicaid Maximum	92	\$2,089.30
Surgical Gloves Billed with Erroneous Units of Service	191	\$1,857.88
Items Exceeding the Rent-to-Purchase Price	21	\$703.00
Billing Services for Deceased Recipients	2	\$140.00
Total Services with Exceptions	306	\$4,790.18

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

Results of Sample Analysis

Missing Prescriptions

Ohio Adm.Code 5101:3-10-05 states:

(A) For each claim for reimbursement, providers must keep in their files a legible written or typed prescription, including a diagnosis, signed and dated not more than sixty days prior to the first date of service by the recipient's attending physician. For incontinence garments and related supplies, a legible written or typed physician prescription, signed and dated not more than thirty days prior to the first date of service must be maintained on file by the provider; prescriptions for incontinence garments and related supplies must include all information required in accordance with rule 5101:3-10-21 of the Administrative Code. For medical supplies only, other than incontinence garments and related supplies, an oral prescription with all of the required information recorded in writing by the provider will suffice. For ongoing services or supplies, a new prescription must be obtained at least every twelve months. Medical supply providers are required to keep all records and prescriptions in accordance with rules 5101:3-1-17.2 and 5101:3-1-17.3 of the Administrative Code.

Of the 284 services in our sample, we identified five services where the provider did not maintain prescriptions for the services billed. Because the Provider did not maintain the required documentation in the recipient medical records, a determination could not be made if the service rendered was Medicaid eligible. We therefore took exception with all five services resulting in a finding of \$178.20.

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 were unable to confirm from the Provider's records that one of the 284 paid services in our sample was actually supplied. Consequently, we disallowed the \$28.00 payment received for this one service.

Since the error rate of sampled services was less than 10 percent (6 of 284 services) and the overpayment was less than \$1,000 (\$206.20), 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 \$206.20, which represents the actual reimbursement for the six services disallowed for insufficient supporting documentation.

PROVIDER'S RESPONSE

To afford an opportunity to respond to our findings, we sent a draft report to the Provider on March 11, 2005. The Provider's March 17, 2005 response contained additional information that resolved some of the deficiencies addressed in the draft and resulted in a reduction in our audit findings. The Provider's response, which has been forwarded to ODJFS' Surveillance and Utilization Section under separate cover, also included the following corrective actions to prevent recurrence of the matters discussed in this report:

We have implemented a "customer order" form that will be used for all orders when called in from the patient, care giver or referral source. If the items are in excess of your allowable, the responsible party will be told at that time. We have told all referral sources that we will no longer bill for denials.

Rent to Purchase: we will utilize our computer system "expiration date" field. We will calculate the total amount allowed and only let the computer renew for the number of month equal to the purchase price.

Surgical gloves: This problem was fixed immediately and all referral sources were notified of the changes in your policy. The item record was also fixed in our computer system.

Missing prescriptions: Our physician used to write prescriptions with a refill to lifetime. We generated a computer list of all clients receiving incontinence items and a new "incontinence CMN" was made. We sent a copy of your policy to all physicians along with the new CMN. When the CMN was received in our office, we put the expiration date in the computer so we will never be able to refill beyond the number or refill on the prescription or beyond one year.

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APPENDIX I

**Summary of Findings for Galion Medical Supplies, Inc.
For the Period: July 1, 2001 to June 30, 2004**

Description	Repayable Finding
Medicaid Services Sample Excluding Exceptions	\$206.20
Items Dispensed in Excess of the Medicaid Maximum	\$2,089.30
Surgical Gloves Billed with Erroneous Units of Service	\$1,857.88
Items Exceeding the Rent-to-Purchase Price	\$703.00
Billing Services for Deceased Recipients	\$140.00
Total Repayable Findings	\$4,996.38

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



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GALION MEDICAL SUPPLIES, INC.

CRAWFORD 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
MAY 12, 2005**