Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump
Making government work better

Official Audit Report – September 16, 2015

Office of Medicaid (MassHealth)—Review of Controls over Mobility-Assistive Equipment

For the period July 1, 2011 through December 31, 2012

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September 16, 2015

Ms. Marylou Sudders, Secretary
Executive Office of Health and Human Services
One Ashburton Place, 11th Floor
Boston, MA 02108

Dear Ms. Sudders:

I am pleased to provide this performance audit of Office of Medicaid (MassHealth) claims for mobility-assistive equipment. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2011 through December 31, 2012. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to MassHealth for the cooperation and assistance provided to my staff during the audit.

Sincerely,

Suzanne M. Bump
Auditor of the Commonwealth

cc: Daniel Tsai, Assistant Secretary and Director of Medicaid

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LIST OF ABBREVIATIONS

CHIA	Center for Healthcare Information and Analysis
CMR	Code of Massachusetts Regulations
CMS	Centers for Medicare & Medicaid Services
DME	durable medical equipment
EOHHS	Executive Office of Health and Human Services
IT	information technology
MMIS	Medicaid Management Information System
OIG	Office of the Inspector General
OSA	Office of the State Auditor
PAU	Prior Authorization Unit

EXECUTIVE SUMMARY

Under Chapter 118E of the Massachusetts General Laws, the Executive Office of Health and Human Services, through the Division of Medical Assistance, administers the state's Medicaid program, known as MassHealth. MassHealth provides access to healthcare services for approximately 1.4 million eligible low- and moderate-income individuals, couples, and families annually, including children, seniors, and people with disabilities. In fiscal year 2013, MassHealth paid healthcare providers more than $10.8 billion, of which approximately 50%[1] was funded by the Commonwealth. Medicaid expenditures represent approximately 33% of the Commonwealth's total budget.

The Office of the State Auditor (OSA) has conducted an audit of claims for mobility-assistive equipment for the period July 1, 2011 through December 31, 2012. Mobility-assistive equipment includes walkers, canes, crutches, and manual or power wheelchairs. For this audit, we concentrated on wheelchairs and wheelchair components. During the audit period, MassHealth paid 129,415 claims, totaling $24,486,560, for wheelchairs and wheelchair components provided to members. The objective of our audit was to determine whether MassHealth paid for this equipment in accordance with state regulations, maintained effective system edits to control payments, and monitored payments to identify billing irregularities and potentially fraudulent claims. In addition, we considered opportunities for potential cost savings on wheelchair purchases. This audit was conducted as part of OSA's ongoing independent statutory oversight of the state's Medicaid program. Several previously issued OSA reports have disclosed significant weaknesses in MassHealth's claim-processing system that resulted in millions of dollars in unallowable and potentially fraudulent claim payments.

As with any government program, public confidence is essential to the success and continued support of MassHealth's Durable Medical Equipment (DME) program, through which MassHealth provides mobility-assistive equipment. Therefore, MassHealth must have effective controls in place, including program regulations, operating policies and procedures, system edits, monitoring activities, and enforcement measures, to ensure that all payments for mobility-assistive equipment are properly authorized, medically necessary, and for the appropriate amount. As described below, MassHealth has not established such controls and consequently, during the audit period, made approximately $4 million of

1. The federal medical assistance percentage (federal matching funds) for state Medicaid expenditures is 50%.

excessive, unallowable, or unauthorized payments for wheelchairs and wheelchair components provided to members.

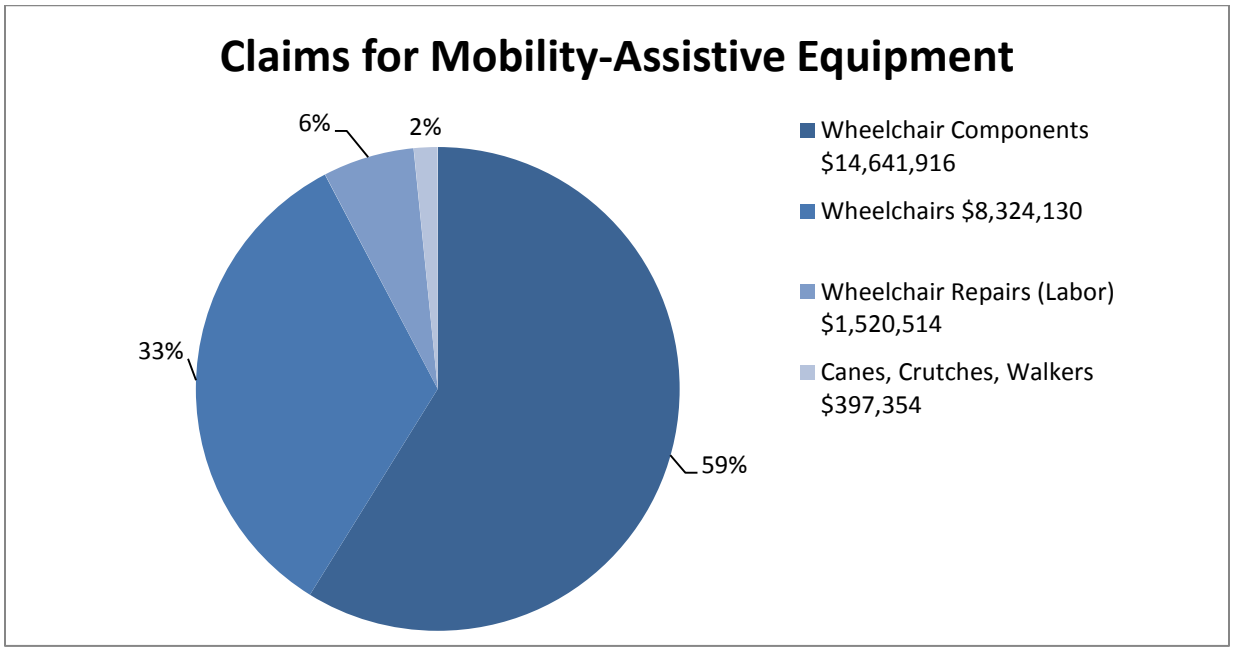
Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 **Page 10**	MassHealth could have saved more than $1 million on wheelchair-related purchases for members.
Recommendations **Page 16**	1. MassHealth should develop policies and procedures that would ensure that it is paying the lowest price for wheelchairs and wheelchair components in accordance with the requirements of 114.3 Code of Massachusetts Regulations 22. Once this is done, it should establish system edits to ensure that these policies and procedures are adhered to. 2. MassHealth should consider amending its regulations so that it has the flexibility to pay less than 100% of the Medicare rates for DME.
Finding 2 **Page 17**	MassHealth paid a total of $540,801 for wheelchair components that did not have proper prior authorization, were improperly provided, exceeded stated limits, or were duplicative.
Recommendations **Page 20**	1. MassHealth should implement system edits in accordance with MassHealth regulations and the sub-regulatory guidance provided in its DME and Oxygen Payment and Coverage Guideline Tool. 2. MassHealth should recover unallowable payments due to providers improperly billing MassHealth for repairs and replacement components for manual wheelchairs owned by nursing facilities, submitting claims for duplicate services, and submitting unbundled claims.
Finding 3 **Page 22**	MassHealth did not properly authorize wheelchair repairs exceeding $1,000; this resulted in approximately $2.86 million of unauthorized costs.
Recommendation **Page 24**	MassHealth should ensure that prior authorization has been obtained for repairs when the billed amount exceeds $1,000.

OVERVIEW OF AUDITED ENTITY

Under Chapter 118E of the Massachusetts General Laws, the Executive Office of Health and Human Services, through the Division of Medical Assistance, administers the state's Medicaid program, known as MassHealth. Medicaid is a joint federal-state program created by Congress in 1965 as Title XIX of the Social Security Act. At the federal level, the Centers for Medicare & Medicaid Services, within the U.S. Department of Health and Human Services, administer the Medicare program and work with state governments to administer state Medicaid programs. States have considerable flexibility in designing and operating their Medicaid programs, but must comply with applicable federal requirements. These programs may cover durable medical equipment (DME) used to treat mobility-related disorders due to illness or injury.

According to 130 Code of Massachusetts Regulations 409.413, MassHealth covers medically necessary DME that is appropriate for use in members' homes and communities. For the 18-month period ended December 31, 2012, MassHealth paid 147,646 claims, totaling $24.9 million, for all mobility-assistive equipment, as detailed in the chart below.



Wheelchairs and wheelchair components represent the largest portion (92%) of claims for mobility-assistive equipment paid during the audit period.

Fraud Concerns

According to various audits conducted by federal agencies, wheelchair claims have frequently been used to defraud Medicare for millions of dollars. As recently as August 2014, the *Washington Post* reported[2] that the federal government has paid billions of dollars for wheelchairs yet is unable to determine the extent of fraudulent claims:

> *The way the system copes is with a procedure called "pay and chase." Only a small fraction of claims—3 percent or less—are reviewed by a live person before they are paid. The rest are reviewed only after the money is spent. If at all.*

Given that wheelchair fraud exists in the Medicare program and MassHealth uses an automated claim-processing system similar to Medicare's payment system, we considered MassHealth's payments for wheelchairs to be at risk for potential fraud.

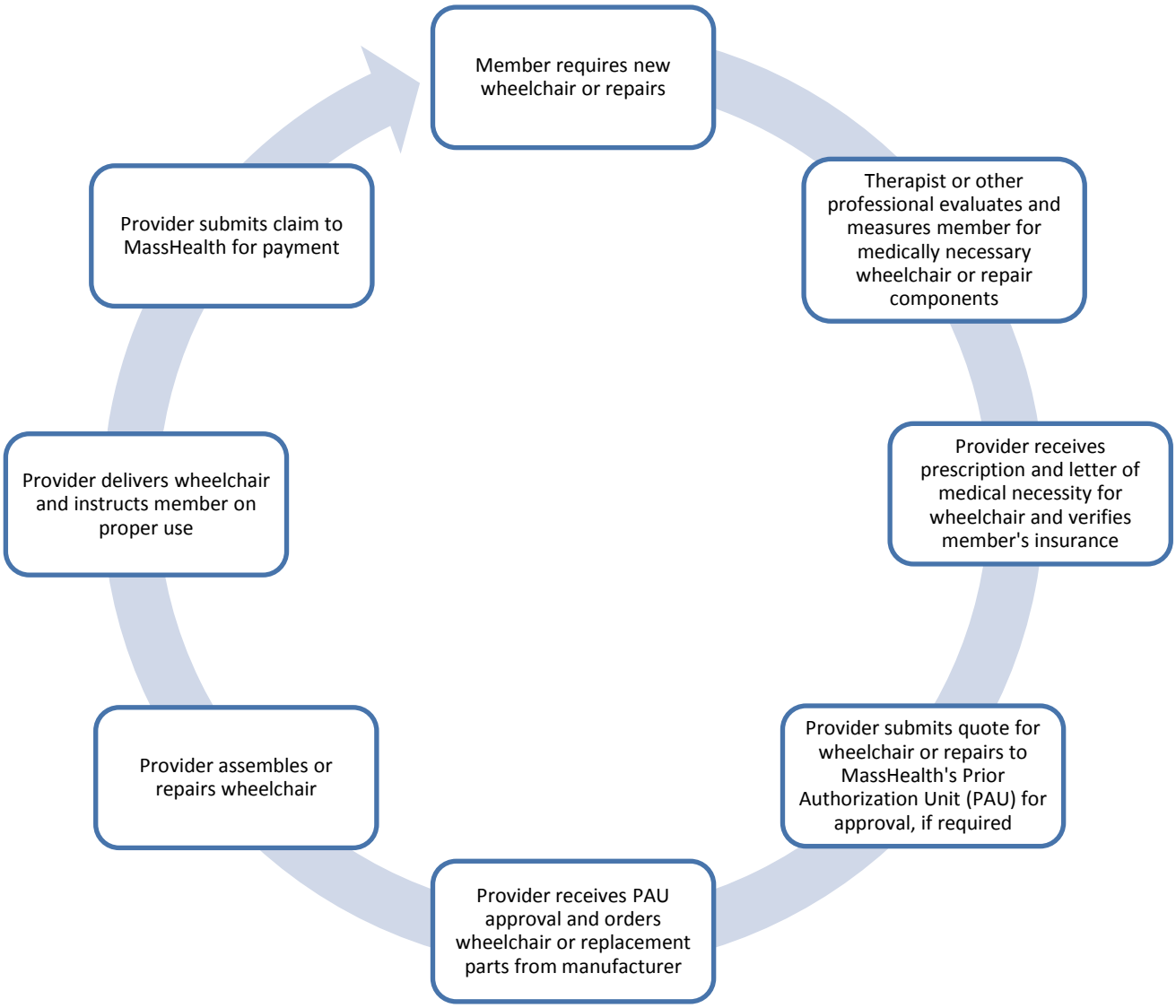
Wheelchair Providers' Role and Responsibilities

Generally, wheelchair providers act as intermediaries for the member's physician, the member's physical and occupational therapists, manufacturers of DME, and MassHealth. As part of their responsibilities, wheelchair providers interact with the physicians and therapists to design wheelchairs for members, deliver wheelchairs and instruct members on their proper use, and make necessary repairs. Occasionally, they work closely with manufacturers and suppliers to provide custom-made equipment to address member-specific needs.

The graphic below depicts the interactions among wheelchair providers and others in providing a wheelchair to a MassHealth member.

2. David Fahrenthold, "A Medicare Scam That Just Kept Rolling," *Washington Post*, August 16, 2014.

Wheelchair Acquisition and Repair Process



AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted an audit of claims to MassHealth for mobility-assistive equipment for the period July 1, 2011 through December 31, 2012. Mobility-assistive equipment includes walkers, canes, crutches, and manual or power wheelchairs. For this audit, we concentrated on claims for wheelchairs and wheelchair components.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Did MassHealth pay for mobility-assistive equipment in accordance with 130 Code of Massachusetts Regulations (CMR) 409.401-430 and 114.3 CMR 22.00?	**No; see Findings 1, 2, and 3**
2. Did MassHealth maintain edits in its claim-processing system to detect and deny claims for mobility-assistive equipment that did not comply with the regulations?	**No; see Findings 1, 2, and 3**
3. Did MassHealth ensure that providers obtained and retained necessary service information for the following?	
a. proof of delivery	**Yes**
b. medical necessity	**Yes**
c. prior authorization	**No; see Findings 2 and 3**
4. Did MassHealth monitor system outputs to identify billing irregularities and potentially fraudulent claims?	**No; see Findings 1, 2, and 3**

To achieve our objectives, we reviewed applicable state and federal laws, rules, and regulations; MassHealth Provider Bulletins and transmittal letters; MassHealth's 2012 Claims Operations Internal

Control Plan; and the American Medical Association's 2012 Healthcare Common Procedure Coding System descriptions. We also reviewed other audit reports regarding durable medical equipment (DME) that had been issued by OSA, other state audit agencies, the federal Department of Health and Human Services, and other independent auditors.

To better understand members' medical need for wheelchairs, we consulted with officials from MassHealth and health professionals from Spaulding Rehabilitation Hospital, Boston Medical Center, and the United States Department of Veterans Affairs at Edith Nourse Rogers Memorial Veterans Hospital. Also, to gain an understanding of the wheelchair pricing and acquisition process, we consulted with officials from MassHealth and Massachusetts's Center for Healthcare Information and Analysis. We used questionnaires and Internet research to compare MassHealth's wheelchair prices and practices with those of commercial insurance companies and other states' Medicaid agencies.

We queried all claims for mobility-assistive equipment from the Commonwealth's Medicaid Management Information System (MMIS) and MassHealth Data Warehouse for the 18-month period ended December 31, 2012. We performed data analytics on these claims to identify the total number and value of paid claims; the type and cost of equipment provided to members; repair services, including replacement parts for wheelchairs; and service trends and billing anomalies indicative of potential fraud, waste, and abuse. We performed audit tests on the operating effectiveness of certain key MassHealth controls over the DME program. Based on the results of our testing, we performed specific substantive audit procedures over MassHealth's controls, policies, and procedures, including evaluation and testing of MassHealth's system edits to determine whether wheelchairs and repairs were properly authorized and unallowable claims were detected and denied.

In addition, we conducted site visits at the four wheelchair providers that provided approximately 90% of the mobility-assistive equipment paid for by MassHealth during our audit period: Conlin's Pharmacy Inc.; National Seating and Mobility Inc.; Hudson Home Health Care Inc.; and United Seating and Mobility LLC, doing business as Numotion. For all locations, we reviewed a non-statistical judgmental sample of 100 out of 74,051 dates of service, representing acquisition of new wheelchairs and repair of existing wheelchairs, to determine whether paid claims were supported by appropriate documentation and whether they complied with state billing and payment regulations. We did not project the sample results to the entire population of service claims. Rather, whenever possible, we expanded our audit procedures to quantify the total financial effect of each audit result.

At the conclusion of our fieldwork, we discussed the results with MassHealth officials, whose comments we considered when preparing this report.

To assess the reliability of MMIS-processed data, we reviewed the work of other auditors who had examined the information-system controls for the MMIS claim-processing system.

We reviewed KPMG's[3] fiscal year 2013 design and effectiveness testing of MMIS's general information-technology (IT) controls, including user access to programs and data, program changes, and computer operations. Additionally, in our examination of data reliability, we reviewed the work performed and the conclusions reached by OSA in Audit No. 2011-1374-4T, "Review of the Internal Controls Established by the Executive Office of Health and Human Services and MassHealth over Selected Information System Applications." The report, which covered the 16-month period ended June 30, 2011, found that 488 of the 1,462 MMIS user accounts, or 33%, were associated with individuals who no longer worked at MassHealth. To resolve this problem, OSA recommended that the Commonwealth's Executive Office of Health and Human Services (EOHHS) strengthen its user access security controls by "ensuring that access privileges for unauthorized users are deactivated or modified when a change in an employee's status results in the user no longer requiring access to IT resources, or when a change in an employee's position or responsibilities requires a change in access privileges." In response to our report, EOHHS stated, in part,

> *EOHHS will formalize and implement a new Security Request Process . . . and will reissue the Security Request Policy which states that "When requesting access to or a change in access to MIS Resources a Security Request Form, must be completed, authorized by the Users Director or Assistant Director, and submitted to the IT Security Operations Unit. This form is required to be completed by the Director when an employee is hired, transferred, promoted, demoted, terminated or at any other time that an employee's access level or job function changes." . . .*
>
> *In addition the EOHHS Personal Liaisons and EOHHS IT Personnel Department will notify [EOHHS] Security Operations of all terminations.*

Finally, we performed additional data reliability testing for missing data elements and/or values; duplicate records; relationships between data elements; and values within designated periods. Also, we traced sampled transactions to and from source documents.

3. KPMG LLP was the auditor for the Commonwealth's Single Audit for the fiscal year ended June 30, 2013.

Based on our current audit work, KPMG's fiscal year 2013 testing of MMIS's IT controls, and the corrective action planned by EOHHS to resolve our prior audit issues, we have determined that the claim data obtained were sufficiently reliable for the purposes of this report.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. MassHealth's process for determining how much to pay for wheelchairs and wheelchair components is not cost effective.

MassHealth is paying more than necessary for wheelchairs and wheelchair components. In most cases, MassHealth pays providers for wheelchairs and wheelchair components based on the amounts listed in its rate schedule for these components, without considering whether those amounts are higher than the lowest usual and customary amounts these providers charge to their other customers as required by state regulations. Specifically, for equipment listed on the rate schedule, MassHealth pays the amount reflected without determining whether the rate schedule reflects the lowest price. Also, unlike those of other states, MassHealth's regulations usually[4] require it to pay 100% of the amount reflected in the rate schedule, and it does not have the ability to negotiate a lower rate with providers. As a result, MassHealth may be losing the opportunity to save millions on what it pays annually for durable medical equipment (DME).

Ten Highest Wheelchair Costs, Including Repairs*

Member	Power Wheelchair Base	Power Wheelchair Components	Modifications or Repairs†	Manual Backup Wheelchair‡	Total Cost
1	$ 5,399	$ 21,943	$ 6,070	–	$ 33,412
2	5,399	17,787	10,035	–	33,221
3	5,399	20,356	22	$ 6,581	32,358
4	7,069	19,739	3,764	–	30,572
5	7,069	14,908	8,223	–	30,200
6	5,399	16,236	–	7,235	28,870
7	5,399	17,809	5,199	–	28,407
8	7,265	19,202	1,383	–	27,850
9	5,399	15,825	1,399	4,921	27,544
10	5,399	17,525	1,329	3,285	27,538
Total	$ 59,196	$ 181,330	$ 37,424	$ 22,022	$ 299,972

* For members who received a new power wheelchair during the audit period.
† This represents the addition or replacement of components to a wheelchair during the repair process.
‡ MassHealth pays for a second manual wheelchair for members who cannot manage the larger power mobility system in the locations they frequent, have highly customized power mobility systems and cannot fit their wheelchairs in a vehicle, or cannot use a substitute wheelchair when the primary wheelchair is being repaired.

4. MassHealth's regulations require it to pay 100% of the Medicare rate for some types of DME and less than the Medicare rate for others. For the 15 wheelchair components on which our audit focused, the amount paid was 100% of Medicare rates.

As shown in the table above, accessories, component parts, and modifications can greatly increase the overall cost of the finished product. We contacted Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care, and Tufts Health Plan to obtain information on their pricing practices for wheelchairs and wheelchair components.

We learned that these insurance companies did business with MassHealth's wheelchair providers, but at rates lower than those listed on MassHealth's rate schedule. Further, we analyzed 15 wheelchair components[5] and found that MassHealth could have saved more than $1 million had it paid the lowest rate that any of these three insurance companies pays for these components, as required by state regulations. These potential savings are detailed in the table below.

Procedure Code	Component Description	Amount Paid Using MassHealth Rate	Amount Paid Using Lowest Usual and Customary Rate	Potential Savings
E0955	WHEELCHAIR ACCESSORY, HEADREST, CUSHION	$ 407,108	$ 383,546	$ 23,562
E1002	WHEELCHAIR ACCESSORY, POWER SEATING SYSTEM	1,577,309	1,507,907	69,402
E1007	WHEELCHAIR ACCESSORY, POWER SEATING SYSTEM	1,582,170	1,490,560	91,610
E1161	MANUAL ADULT SIZE WHEELCHAIR, INCLUDES	1,903,043	1,598,558	304,485
E2203	MANUAL WHEELCHAIR ACCESSORY, NONSTANDARD	184,601	155,065	29,536
E2311	POWER WHEELCHAIR ACCESSORY, ELECTRONIC	716,139	697,940	18,199
E2361	POWER WHEELCHAIR ACCESSORY, 22NF SEALED BATTERY	300,782	278,811	21,971
E2370	POWER WHEELCHAIR COMPONENT, MOTOR AND	431,583	413,424	18,159
E2377	PWR WHLCHR ACCES,XPAND,INC ELEC/HRDWRE	174,070	169,456	4,614
E2607	SKIN PROTECTION AND POSITIONING WHEELCHAIR	249,457	239,681	9,776

5. We selected these 15 components because they represented some of the largest unit quantities and amounts paid by MassHealth for components for the audit period.

Procedure Code	Component Description	Amount Paid Using MassHealth Rate	Amount Paid Using Lowest Usual and Customary Rate	Potential Savings
E2620	POSITIONING WHEELCHAIR BACK CUSHION, PL	313,263	285,664	27,599
E2622	ADJ SKIN PRO W/C CUS WD<22IN	340,736	300,532	40,204
K0800	POWER OPERATED VEHICLE, GROUP 1 STANDARD	147,415	70,812	76,603
K0856	POWER WHEELCHAIR, GROUP 3 STANDARD, SINGLE	1,546,950	1,368,786	178,164
K0861	POWER WHEELCHAIR, GROUP 3 STANDARD, MULTI	1,095,952	969,713	126,239
Total		$10,970,578	$ 9,930,455	$1,040,123

* The above descriptions of wheelchairs and components are quoted from the Medicaid Management Information System. For a full description of each component, refer to the DME and Oxygen Payment and Coverage Guideline Tool (accessible here) and 114.3 Code of Massachusetts Regulations 22.

The savings for these 15 components alone, which represent only about 38% of all mobility assistive-equipment claims, would be approximately $1,040,000.

In addition to MassHealth not considering whether the amounts it pays for this equipment are higher than the usual and customary amounts providers charge their other customers, we also have some concerns about the rate schedule MassHealth uses to pay for the equipment. Specifically, in most instances, MassHealth's regulations require it to pay 100% of the amount listed in the rate schedule, which is based on Medicare rates established by the federal Centers for Medicare & Medicaid Services (CMS), without any ability to negotiate a lower standard rate. However, the federal Executive Office of Health and Human Services and its Office of the Inspector General (OIG) have expressed concerns over the high Medicare rates for wheelchairs. Specifically, OIG performed two audits examining the cost of wheelchairs provided to Medicare recipients. OIG concluded that payments for standard power and complex rehabilitation power wheelchairs were excessive and recommended that CMS take action to curb wasteful spending considering suppliers' acquisition costs when developing Medicare rates for wheelchairs and wheelchair components. OIG's findings and unimplemented recommendations were republished in the December 2012 edition of the federal Executive Office of Health and Human Services' *Compendium of Unimplemented Recommendations*, which states, in part,

> *We recommend that CMS determine whether Medicare's fee schedule amounts for standard and complex rehabilitation power wheelchairs should be adjusted. . . .*
>
> *The recommendation would curb the wasteful Medicare spending that occurs because Medicare's methodology for developing power wheelchair fee schedule amounts does not align reimbursements with* ***supplier acquisition costs****.* [emphasis added]
>
> *OIG evaluations found that consumers can purchase power wheelchairs in the marketplace at lower prices than Medicare and its beneficiaries pay.*
>
> *An August 2009 OIG report compared acquisition costs to payments in 2007 and revealed that Medicare and its beneficiaries paid almost four times the average amount suppliers paid to acquire standard power wheelchairs and paid almost two times the average amount suppliers paid to acquire complex rehabilitation power wheelchair packages.*

We compared MassHealth's pricing practices to those of eight other state Medicaid programs. The amounts these states paid for the 15 wheelchair components that were in our sample were based on adjusted percentages of the Medicare rates rather than the 100% that MassHealth pays.[6] Below is a summary of the highest, lowest, and average percentages paid for each of these components by the eight states.

Medicaid Rates by State

Procedure Code	Component	Massachusetts Rate	Other Eight States' Medicaid Program Rates		
			Highest	Lowest	Average
E0955	WHEELCHAIR ACCESSORY, HEADREST, CUSHION	100%	110%	80%	101%
E1002	WHEELCHAIR ACCESSORY, POWER SEATING SYSTEM	100%	110%	80%	100%
E1007	WHEELCHAIR ACCESSORY, POWER SEATING SYSTEM	100%	110%	80%	97%
E1161	MANUAL ADULT SIZE WHEELCHAIR, INCLUDES	100%	95%	81%	89%
E2203	MANUAL WHEELCHAIR ACCESSORY, NONSTANDARD	100%	100%	66%	87%
E2311	POWER WHEELCHAIR ACCESSORY, ELECTRONIC	100%	110%	71%	95%
E2361	POWER WHEELCHAIR ACCESSORY, 22NF SEALED BATTERY	100%	118%	87%	100%

6. Each state's individual rates for the 15 components are presented in the appendix to this report.

Procedure Code	Component	Massachusetts Rate	Other Eight States' Medicaid Program Rates		
			Highest	Lowest	Average
E2370	POWER WHEELCHAIR COMPONENT, MOTOR AND	100%	110%	71%	93%
E2377	PWR WHLCHR ACCES,XPAND,INC ELEC/HRDWRE	100%	110%	68%	90%
E2607	SKIN PROTECTION AND POSITIONING WHEELCHAIR	100%	113%	80%	99%
E2620	POSITIONING WHEELCHAIR BACK CUSHION, PL	100%	116%	71%	96%
E2622	ADJ SKIN PRO W/C CUS WD<22IN	100%	100%	80%	92%
K0800	POWER OPERATED VEHICLE, GROUP 1 STANDARD	100%	110%	71%	89%
K0856	POWER WHEELCHAIR, GROUP 3 STANDARD, SINGLE	100%	126%	68%	95%
K0861	POWER WHEELCHAIR, GROUP 3 STANDARD, MULTI	100%	126%	68%	95%

* The above descriptions of wheelchairs and components are quoted from the Medicaid Management Information System. For a full description of each component, refer to the DME and Oxygen Payment and Coverage Guideline Tool (accessible here) and 114.3 Code of Massachusetts Regulations 22.

Many states paid less than 100% of the published Medicare rates, some as little as 66%.

Since OIG and CMS had expressed concerns on the reasonableness of Medicare payment rates, we performed a second analysis of the same 15 wheelchair components using the reduced Medicare rates used by these eight states' Medicaid programs. We found that MassHealth could have saved money by using the reduced Medicare rates developed by six of the eight states. In fact, MassHealth could have saved more than $1 million by using Michigan's, Alabama's, or Connecticut's rates.

Eight-State Cost Analysis

State	Total Cost	Potential Savings
Massachusetts	$10,970,5769	
Michigan	$9,213,941	$1,756,638
Alabama	$9,265,441	$1,705,138

State	Total Cost	Potential Savings
Connecticut	$9,901,552	$1,069,027
Oregon	$10,612,876	$357,703
Ohio	$10,811,791	$158,788
New York	$10,924,857	$45,722
Vermont	$11,094,439	($123,860)
California	$12,058,772	($1,088,193)

By using a reduced rate similar to those of other states, MassHealth could have saved as much as $1.7 million.

Authoritative Guidance

Massachusetts has promulgated regulations governing payments for wheelchairs and wheelchair components under 114.3 Code of Massachusetts Regulations (CMR) 22.03:

> *(1) Purchase or Rental of Durable Medical Equipment, Medical and Surgical Supplies. Payment to an eligible provider for the purchase of the above services will be the lower of:*
>
> *(a) the eligible provider's usual and customary charge to the general public; or*
>
> *(b) such schedule of allowable fees set forth in 114.3 CMR 22.06 [the rate schedule].*

In addition, 114.3 CMR 22.02 defines "usual and customary charge" as follows:

> *The lowest price that an eligible provider charges or accepts from **any payer** for the same equipment or item, including but not limited to the shelf price, sale price, or advertised price. . . .* [emphasis added]

Reasons for Excessive Payments

MassHealth does not take appropriate measures such as requiring wheelchair providers to submit the lowest usual and customary charge that they accept from other payers, such as Blue Cross Blue Shield. Without this information, MassHealth cannot design system edits to compare its rate-schedule amounts to the lowest usual and customary charges accepted by wheelchair providers as required by state regulations.

Additionally, MassHealth's regulations require it to pay 100% of the rate established by Massachusetts's Center for Healthcare Information and Analysis (CHIA),[7] which appears not to be the most cost-effective way of paying for this equipment.

Recommendations

1. MassHealth should develop policies and procedures that would ensure that it is paying the lowest price for wheelchairs and wheelchair components in accordance with the requirements of 114.3 CMR 22. Once this is done, it should establish system edits to ensure that these policies and procedures are adhered to.

2. MassHealth should consider amending its regulations so that it has the flexibility to pay less than 100% of the Medicare rates for DME.

Auditee's Response

MassHealth agrees that it is important to ensure that we pay the lowest price for wheelchairs and components, and [Recommendation 1] is in line with work that the Baker administration currently has underway to explore opportunities for cost savings in the DME program. MassHealth is evaluating a range of strategies to ensure more cost effective purchasing of DME as part of its strategic review of MassHealth programs and spending, including bulk-purchasing arrangements. Specifically, the Administration successfully advocated for language in the FY16 budget that gives MassHealth the statutory authority to implement these strategies and assumes associated cost savings. Based on the outcomes of its strategic review, MassHealth will develop and implement policies and procedures to ensure the lowest cost is paid. In addition, MassHealth will review all pricing in the online DME tool for providers to ensure accuracy. . . .

MassHealth agrees that it should ensure that its payment policies give the Executive Office of Health and Human Services (EOHHS) the necessary tools and flexibility to achieve the lowest available price. As noted above, MassHealth is currently in the process of reviewing its DME purchasing strategies to explore opportunities for savings and efficiencies.

Auditor's Reply

In its response, MassHealth states that it is exploring opportunities for cost savings for DME, such as bulk purchasing, and will develop and implement policies and procedures to ensure that the lowest cost is paid. We believe that such measures are prudent and should reduce MassHealth's costs for DME.

However, we also note that MassHealth's pricing regulation, 114.3 CMR 22.03, requires all DME providers to submit claims in the amounts that are the least costly to the Commonwealth and in line

7. CHIA is responsible for establishing and changing rates listed in the rate schedule. Until November 5, 2012, CHIA was known as the Division of Health Care Finance and Policy.

with the usual and customary amounts they accept from other payers for the same equipment. This regulation was designed to ensure that the Commonwealth never pays providers more for DME than the provider has already accepted from another payer (e.g., a commercial health plan). MassHealth currently does not verify that providers are complying with this requirement; therefore, we believe it should establish controls such as requiring its providers to inform it of the lowest rate they accept from other payers. MassHealth should also use its new statutory authority to revisit its DME rates.

2. MassHealth paid for $540,801 of wheelchair components that were improperly authorized, provided, or billed.

MassHealth paid claims totaling $540,801 for wheelchair components that did not have proper prior authorization, were inappropriately provided to members residing in nursing homes, exceeded stated limits, or represented duplicative or unbundled services.

To help providers comply with state regulations when submitting claims for reimbursement, MassHealth created the "DME and Oxygen Payment and Coverage Guideline Tool," defined in 130 CMR 409.402:

> *DME and Oxygen Payment and Coverage Guideline Tool—MassHealth Web-based application that contains DME and oxygen service descriptions for all covered products and services, applicable modifiers, place-of service codes, prior authorization requirements, individual consideration requirements, service limits, markup information, and links to other applicable information.*

MassHealth officials emphasized that the Tool is a means to educate providers on payment limits and restrictions and that it cannot detect improper claims and deny payments. MassHealth has not created system edits to enforce these limits and restrictions. Below is an abbreviated version of the Tool.

MassHealth * DME & Oxygen Payment and Coverage Guideline Tool *

Updated 08/17/12 Program (Link)	Service Code	C.H.I.A (Link)	Modifier Required (Link)	PA Required (Link)	POS Required (Link)	Description	Requirements & Limits
BACK TO THE TOP			** Click "HERE" to access Updates, Forms, Regulations, Bulletins, Transmittal Letters, Provider Library plus many other Links **				
DME/MOB Click Here POS 31 32	K0848	NOTE When Utilizing this procedure code Click HERE	NU	Yes	12 31 32 33	Power wheelchair, group 3 standard, sling/solid seat/back, patient weight capacity up to and including 300 pounds.	1 unit = each, 1 per 5 years. (1 units per Date Of Service)
DME/MOB Click Here POS 31 32	K0848	NOTE When Utilizing this procedure code Click HERE	RR	Yes	12 31 32 33	Power wheelchair, group 3 standard, sling/solid seat/back, patient weight capacity up to and including 300 pounds.	1 unit = each. Rental is for short term use, rental paid amount can not exceed purchase price (NU UE) (1 units per Date Of Service)
DME/MOB Click Here POS 31 32	K0848	NOTE When Utilizing this procedure code Click HERE	UE	Yes	12 31 32 33	Power wheelchair, group 3 standard, sling/solid seat/back, patient weight capacity up to and including 300 pounds.	1 unit = each, 1 per 5 years. (1 units per Date Of Service)

Below are details of wheelchair and wheelchair-component payments made by MassHealth contrary to state regulations and the billing guidance in the Tool.

- **Components not properly authorized:** Certain wheelchair components require prior authorization before payment (if indicated in the "PA Required" column above). These components include both high- and low-priced items, such as a power seating system ($7,736) and a special wheelchair seat with upholstery ($93). However, MassHealth paid 92 claims, totaling $13,512, for wheelchair components that did not have the necessary prior authorization.

- **Improper payments for manual wheelchair repairs and accessories for members residing in nursing facilities:** MassHealth places restrictions on repairs and accessories based on a member's location. Specifically, nursing facilities have financial responsibility for providing repairs and accessories for members who use facility-owned manual wheelchairs. However, MassHealth paid 817 claims, totaling $158,594, for wheelchair components and repairs for facility-owned manual wheelchairs.[8]

- **Mobility-assistive equipment beyond MassHealth's service limits:** MassHealth paid for equipment for members that exceeded stated limits in the Tool. For example, members are allowed to receive two general-use seat cushions per year, but MassHealth sometimes paid for more than this number. MassHealth paid 168 claims, totaling $54,435, for wheelchair components that exceeded stated limits.

- **Duplicate payments for wheelchair components:** MassHealth made $40,206 of duplicate payments for wheelchair components, contrary to state regulations. Specifically, we identified 153 duplicate payments, totaling $9,728, related to claims billed for the same member, same date of service, same provider, and same procedure code. Also, we found 237 duplicate payments, totaling $30,206, related to claims billed for the same member, same provider, and same procedure code for service dates within seven days of each other. Finally, we identified one instance in which two different providers billed a total of $187 for the same component for the same member on the same date of service.

- **"Unbundled" wheelchair and wheelchair-component costs:** MassHealth has designated certain wheelchair and wheelchair-component procedure codes as comprehensive. Providers are prohibited from billing for individual wheelchair components when they are part of an assembly covered by a single comprehensive code. For example, MassHealth does not allow providers to bill for lower leg extension tubes (K0043 and K0044) while also billing for a complete footrest assembly (K0045). However, we identified 1,440 instances, totaling $274,054, where providers "unbundled" claims.

Authoritative Guidance

In 130 CMR 409.418, MassHealth requires providers to obtain prior authorization from MassHealth's Prior Authorization Unit (PAU) for certain wheelchair components listed in the Tool:

8. MassHealth officials stated that they do pay for repairs and components to reissued power wheelchairs for members residing in nursing facilities, since a facility would not be able to bear the cost of purchasing complex power wheelchairs.

> *The DME provider must obtain prior authorization from the MassHealth agency or its designee as a prerequisite for payment of DME identified in the DME and Oxygen Payment and Coverage Guideline Tool as requiring prior authorization.*

CMS considers unbundling a potentially fraudulent billing practice, prohibited by the federal False Claims Act.

In addition, MassHealth regulations provide guidance on the purchase and replacement of wheelchairs and wheelchair components, including repairs, for members living in nursing facilities. According to 130 CMR 409.415(A)(1)(a),

> *The MassHealth agency pays for the following services for members residing in nursing facilities. . . .*
>
> *The MassHealth agency pays DME providers for the purchase, rental, or repair of medically necessary mobility systems, positioning seating systems and add-ons, subject to all limitations and conditions of payment in 130 CMR 409.000 and 450.000, when purchased solely for the full-time use of the member while residing in a nursing facility, with the exception of equipment described under 130 CMR 409.415(A)(2).*

And 130 CMR 409.415(A)(2)(b) states,

> *The MassHealth agency does not pay for the purchase, rental, or repair of standard, manual wheelchairs for the use of members residing in nursing facilities.*

The Tool mirrors the above regulation by providing sub-regulatory guidance regarding which components and repair services MassHealth will cover for members residing in nursing facilities, as follows:

- *MassHealth does not cover cushions, repairs and accessories for members residing in nursing facilities . . . for non-covered manual wheelchairs as referenced in 130 CMR 409.415(2)(b), any accessories and repairs is the responsibility of the facility.*
- *MassHealth allows payment for repairs and accessories for members living in nursing facilities . . . only when MassHealth has paid for the member's medically necessary mobility system, seating system, or add-on that was purchased solely for the full-time use of the member in a nursing facility as referenced in 130 CMR 409.415(A)(1)(a)(b).*

The Tool's sub-regulatory guidance also limits the number of units or components that members are qualified to receive within a given period of time and prohibits submitting separate claims for certain wheelchair accessories when an all-inclusive service code exists.

Finally, 130 CMR 450.307 expressly prohibits duplicate payments as well as payment of claims for services in which two or more services can be billed as part of a more comprehensive service for which a single rate of payment is established for all providers:

> *(A) No provider may claim payment in a way that may result in payment that exceeds the maximum allowable amount payable for such service under the applicable payment method.*
>
> *(B) Without limiting the generality of 130 CMR 450.307(A), the following billing practices are forbidden:*
>
> *(1) duplicate billing, which includes the submission of multiple claims for the same service by multiple providers or the same provider;*
>
> *(2) overstating or misrepresenting services,* ***including submitting separate claims for services or procedures provided as components of a more-comprehensive service for which a single rate of payment is established.*** [emphasis added]

Reasons for Unallowable Payments

MassHealth has not established system edits in its claim-processing system to ensure that claims for wheelchairs and wheelchair components are paid in accordance with regulations and the sub-regulatory guidance listed in the Tool.

Recommendations

1. MassHealth should implement system edits in accordance with MassHealth regulations and the sub-regulatory guidance provided in the Tool.
2. MassHealth should recover unallowable payments due to providers improperly billing MassHealth for repairs and replacement components for manual wheelchairs owned by nursing facilities, submitting claims for duplicate services, and submitting unbundled claims.

Auditee's Response

MassHealth agrees with [OSA's] findings regarding gaps in MassHealth's processes around authorization, provision and billing of wheelchair components. MassHealth will implement new systems edits and will issue guidance for providers clarifying and reiterating its policies to ensure compliance. . . .

MassHealth has confirmed and will pursue recoupments for $340,000 of [OSA's] findings, which include payments for mobility-assistive equipment that were provided beyond the limits MassHealth has outlined in the DME tool ($54,000), duplicative payments for services on the same day ($10,000), and inappropriate payment of unbundled wheelchair and wheelchair components ($274,000).

- *Mobility-assistive equipment provided beyond limits: As a result of the . . . audit, MassHealth discovered that due to the merger of the legacy and new MMIS systems, certain edits for DME unit limits did not transfer correctly. MassHealth will pursue these payments through recoupment and is working to correct these issues in the MMIS system.*

- *Duplicative payments for services on the same day: MassHealth has an edit in the MMIS system that is intended to prevent duplicate billing by denying claims for the same service for the same member on the same day; however, the . . . audit has revealed that this edit is not working all of the time. We will further investigate and remedy this edit to ensure that duplicate claims are not paid.*

- *Unbundled payments: MassHealth's MMIS system cannot currently detect unbundled charges. MassHealth will pursue MMIS programming to resolve this edit issue to the extent technically feasible. In the meantime, MassHealth has taken action to communicate to providers via the DME tool identifying which [healthcare procedure codes] cannot be unbundled. MassHealth also issued a Message Text in November 2013 reminding all DME providers that bundling [sic] certain procedure codes was not allowed. . . .*

For the remaining $200,000 of [OSA's] findings, MassHealth does not have sufficient evidence that these claims are unjustified or not medically necessary and therefore would require recoupment. While we agree that prior authorization processes were not appropriately followed ($13,000), and that processes regarding DME repairs and parts for members in nursing home were not appropriately followed ($158,000), MassHealth cannot confirm that even with the updated policies and procedures in place that these claims would not be appropriate. However, MassHealth will implement prospective adjustments in FY16 to address the identified process gaps in order to ensure that all policies and procedures are appropriately followed. MassHealth does not believe that the remaining ~$30,000 that [OSA] identified as duplicative were processed or paid inappropriately.

- *Prior Authorization: While the MMIS system currently has edits that will prevent the overbilling of units per year, MassHealth has drafted a modification of the DME tool . . . regarding all wheelchair parts and components to further restate our policies regarding prior authorization.*

- *Repairs and replacement parts for manual wheelchairs owned by nursing facilities: MassHealth's policy is to request an inventory list from the nursing facility if a customized seating component is needed. If a requested seating component or chair is available within the nursing facility's inventory, MassHealth denies the request by the nursing facility. However, in the claims that [OSA] identified, totaling $158,000, these processes were not appropriately followed.*

While it is not possible to determine at this juncture whether or not these payments should be recouped, MassHealth is in the process of updating its DME regulations to clarify issues regarding nursing facility owned wheelchairs, including a specific requirement that nursing facilities must supply MassHealth with a list of the facilities' wheelchair inventory before a prior authorization is approved. Updating the regulations will better position MassHealth to ensure that nursing facility inventory is used to the maximum amount. MassHealth will also review its internal authorization procedures to ensure that these policies are adhered to.

- *Duplicative payments for services within 7 days: Of the 237 payments [OSA] identified as duplicative (totaling $30,206), MassHealth's review found that these claims were within the*

limits allowed by the DME program, were confirmed as medically necessary and were appropriately paid.

Auditor's Reply

We concur with MassHealth's approach to addressing these systemic issues and seeking recoupment for the $340,000 identified as improper payments for services that exceeded stated limits, unbundled billings, and duplicate services.

Additionally, we concur with MassHealth's plan to provide specific guidance in the Tool to ensure that providers follow MassHealth regulations when submitting claims for repairs and components for members in nursing facilities. We also agree that MassHealth should strive to ensure that operational staff members are following its protocols when administering prior authorizations for DME. Once MassHealth strengthens its policies and procedures in these areas, it should establish system edits in the Medicaid Management Information System to prevent and deny payments for unapproved or disallowed wheelchair components.

We disagree with MassHealth's assertion that providers who supplied the same component to a member more than once within seven days were compliant with the limits set forth in the Tool and require no further action. If a provider replaces a newly furnished component within seven days, one must consider whether the original part was defective and therefore covered under a manufacturer's warranty. Otherwise, such a billing could represent a duplicate claim. Therefore, we still believe MassHealth should follow up with providers to determine the reasonableness of charges for the same component provided for the same member more than once within seven days.

3. Repair claims for over $1,000, totaling approximately $2.9 million, were not properly authorized.

During the audit period, MassHealth paid 3,337 repair claims, totaling $3,491,275, for wheelchair repairs costing more than $1,000, including parts and labor. Of this amount, 2,334 repairs, totaling $2,856,104 (82% of the total), did not have the prior approval required by MassHealth regulations. As reflected below, MassHealth's approval process was inconsistent in that some repairs were properly approved while others were either partially approved or unapproved.

Approvals for Repairs over $1,000

Prior Authorizations	Number of Repairs	Percent of Claims	Total Cost	Unauthorized Cost
Proper Approval	741	10%	$ 345,148	$ 0
Partial Approval*	1,860	72%	2,520,164	2,520,164†
No Approval	474	10%	335,940	335,940
Undetermined‡	262	8%	290,023	
Total	3,337	100%	$3,491,275	$2,856,104

* Some claims included multiple procedure codes, only some of which were approved.
† MassHealth authorized $1,194,486 out of the total $2,520,165 in repair costs. Since state regulations require the entire repair (labor and parts) to be authorized, we are questioning this entire amount.
‡ These remaining 262 repair services were not evaluated during the audit.

Of the 3,337 repair services costing more than $1,000, 82% did not have proper approvals.

Authoritative Guidance

In 130 CMR 409.418(E), MassHealth requires providers to obtain prior authorization when submitting claims for wheelchair repairs exceeding $1,000 (unless otherwise indicated in the Tool). In DME Transmittal Letter 26, MassHealth provides guidance to providers billing for repairs, as follows: "PA is required for all repairs, in all settings, when the fee for the repairs will exceed $1000 (labor and parts)."

Current Practices

When requesting prior authorization for a wheelchair repair, providers are required to submit certain information to the PAU, including the following:

1. an invoice or quote for the item(s) needing replacement
2. a work order log with an estimate of the number of hours the repair will take
3. a detailed description of the circumstances that made the repair necessary
4. an explanation of why the item(s) needing repair or replacement is not covered under any warranty

After reviewing the information, the PAU issues a decision letter indicating approval, modification, or denial for service codes that always require prior approval before payment.

Reasons for Unauthorized Payments

The PAU did not consider the total repair cost (labor plus all parts) when determining whether the $1,000 authorization threshold was exceeded. Rather, the PAU provided prior authorization only for components specifically identified in the Tool as requiring prior authorization, regardless of cumulative cost. Consequently, for certain repairs involving multiple components—costing less than $1,000 each, but collectively totaling more than $1,000—MassHealth did not provide the required approval.

MassHealth's DME program manager stated that repairs require prior authorization when the labor and components exceed the $1,000 threshold. The program manager stated that this threshold was based on the billed amount (the fee), not the amount paid, but some wheelchair providers believed otherwise. For instance, when we asked one wheelchair provider why it had not obtained prior authorization for repairs billed for more than $1,000, officials told us that that was not necessary because the amount the provider was actually paid was less than $1,000. However, the need for prior authorization must be based on the amount billed, since the amount that will actually be paid is not determined until later.

Recommendation

MassHealth should ensure that prior authorization has been obtained for repairs when the billed amount exceeds $1,000.

Auditee's Response

> *MassHealth agrees that our prior authorization system does not pick up instances where individual claims for a repair are each under $1,000 but the full cost of the repair is over $1,000. As such, MassHealth has developed edits to the DME online tool . . . to clarify this policy and will be issuing a transmittal to providers of DME to reinforce existing policies regarding claiming for wheelchair repairs with a billed amount over $1,000. In addition, going forward, MassHealth will begin regularly monitoring compliance and recouping payments for new instances that arise.*

Auditor's Reply

Based on its response, it appears that MassHealth is taking steps to address the problems we identified in this area.

APPENDIX

Other State Rates as a Percentage of Massachusetts Rates*

Procedure Code	Description	Massachusetts	Connecticut	Vermont	New York	Ohio	Alabama	Oregon	Michigan	California
E0955	HEADREST, CUSHION	100%	95%	110%	100%	109%	80%	104%	98%	110%
E1002	POWER SEATING SYS	100%	95%	100%	NA	109%	80%	104%	NA	110%
E1007	POWER SEATING SYS	100%	95%	100%	NA	94%	80%	104%	NA	110%
E1161	MANUAL ADULT SIZE WHEELCHAIR	100%	81%	95%	92%	94%	82%	90%	84%	95%
E2203	MANUAL WC ACCESSORY	100%	90%	100%	83%	94%	76%	90%	66%	95%
E2311	PWR WC ACC. ELECTRONIC	100%	95%	100%	NA	94%	88%	104%	71%	110%
E2361	PWR WC ACC., 22NF SEALED	100%	95%	87%	100%	94%	118%	103%	97%	109%
E2370	PWR WC COMP, MOTOR	100%	89%	110%	100%	109%	80%	104%	71%	82%
E2377	PWR WHLCHR ACCES,XPAND, INC	100%	89%	68%	100%	94%	80%	104%	71%	110%
E2607	SKIN PROTEC & POSITIONING	100%	89%	113%	100%	94%	80%	104%	100%	111%
E2620	WHEELCHAIR BACK CUSHION, PL	100%	89%	116%	100%	94%	80%	104%	71%	110%
E2622	ADJ SKIN PRO W/C CUS WD<22IN	100%	81%	100%	100%	94%	80%	92%	NA	100%
K0800	POWER OPERATED VEHICLE	100%	94%	80%	100%	94%	80%	84%	71%	110%
K0856	POWER WHEELCHAIR, GROUP 3	100%	90%	103%	105%	94%	91%	86%	68%	126%
K0861	POWER WHEELCHAIR, GROUP 3	100%	90%	103%	105%	94%	91%	86%	68%	126%

* Source: Medicaid Management Information System.