



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued February 25, 2016

Office of Medicaid (MassHealth)—Review of Evaluation and Management Claims Submitted by Northgate Medical P.C.

For the period January 1, 2012 through December 31, 2014





Commonwealth of Massachusetts
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Suzanne M. Bump

Making government work better

February 25, 2016

Jose Azocar, M.D., Medical Director
Northgate Medical P.C.
125 Liberty Street, Suite 403
Springfield, MA 01103

Dear Dr. Azocar:

I am pleased to provide this performance audit of Northgate Medical P.C. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, January 1, 2012 through December 31, 2014. My audit staff discussed the contents of this report with management of your practice, whose comments are reflected in this report.

I would also like to express my appreciation to Northgate Medical P.C. for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written in a cursive style.

Suzanne M. Bump
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

CMR	Code of Massachusetts Regulations
Convergent	Convergent Solutions Inc.
CPT Codebook	American Medical Association's <i>Current Procedural Terminology Professional Edition 2014</i>
E/M	evaluation and management
MMIS	Medicaid Management Information System
MMM	Meridian Medical Management
Northgate	Northgate Medical P.C.
NP	nurse practitioner
OSA	Office of the State Auditor
PA	physician assistant

EXECUTIVE SUMMARY

Under Chapter 118E of the Massachusetts General Laws, the Executive Office of Health and Human Services is responsible for the administration of the state's Medicaid program, known as MassHealth. MassHealth provides access to healthcare services to approximately 1.9 million eligible low- and moderate-income children, families, seniors, and people with disabilities annually. In fiscal year 2015, MassHealth paid healthcare providers more than \$13 billion, of which approximately 50%¹ was funded by the Commonwealth. Medicaid expenditures represent approximately 38% of the Commonwealth's total annual budget.

The Office of the State Auditor (OSA) has conducted an audit of evaluation and management (E/M) claims paid to Northgate Medical P.C. (Northgate) for the period January 1, 2012 through December 31, 2014. During this period, Northgate was paid approximately \$1.33 million to provide E/M services for 2,857 MassHealth members. The purpose of this audit was to determine whether Northgate billed MassHealth for E/M services using appropriate procedure codes and modifier codes and whether Northgate properly documented E/M services in member medical records in accordance with certain laws, rules, and regulations.

This audit was conducted as part of OSA's ongoing independent statutory oversight of the state's Medicaid program. Several of our previously issued audit reports disclosed significant weaknesses in MassHealth's claim-processing system, which 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 the state's Medicaid program.

Based on our audit, we have concluded that Northgate did not properly bill MassHealth for E/M services totaling approximately \$191,148.

1. During the federal government's fiscal year 2015, the Federal Medical Assistance Percentage for Massachusetts was 50%.

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

Finding 1 Page 11	Northgate improperly billed for E/M services totaling approximately \$54,000.
Recommendations Page 15	<ol style="list-style-type: none">1. Northgate should collaborate with MassHealth to repay the overpayment of approximately \$54,000 resulting from the upcoding of claims.2. Northgate should review the monthly billing reports provided by Convergent Solutions Inc. to ensure that claims submitted for all E/M procedure codes are accurate and reflect the level of services provided.3. Northgate should ensure that its medical staff is properly trained on the use of medical-record software, including modifying suggested E/M procedure codes to reflect the level of services provided.
Finding 2 Page 17	Northgate improperly billed MassHealth for approximately \$137,148 of E/M services performed by nurse practitioners (NPs) and physician assistants (PAs).
Recommendations Page 18	<ol style="list-style-type: none">1. Northgate should collaborate with MassHealth to repay the overpayment of approximately \$137,148 resulting from E/M services provided by NPs and PAs but billed at physician rates.2. Northgate should ensure that its new billing agent submits claims with the required modifier codes for services performed by NPs and PAs.3. Northgate should perform independent reviews of claims submitted by its billing agent, including proper use of required modifier codes.

OVERVIEW OF AUDITED ENTITY

Under Chapter 118E of the Massachusetts General Laws, the Executive Office of Health and Human Services is responsible for administering the state’s Medicaid program, known as MassHealth. Northgate Medical P.C. (Northgate), located in Springfield, Massachusetts, is a certified MassHealth service provider that received approximately \$1.46 million from MassHealth during the audit period for the following services.

Services Provided	Amount
Medical Services	\$ 1,142,919
Physician Services	236,401
Other	46,101
Radiology	27,491
Laboratory	4,094
Surgery	1,113
Total	<u>\$ 1,458,119</u>

Our audit focused on evaluation and management (E/M) claims paid to Northgate. These claims totaled \$1,325,100 during the audit period and are included in the Medical Services, Physician Services, and Other categories above.

Northgate was formed in 1997 with the primary goal of providing comprehensive healthcare to the underserved inner-city population. During our three-year audit period, Northgate employed five physicians, four nurse practitioners (NPs), and two physician assistants (PAs). Medical services offered by Northgate to members include the following:

- Primary healthcare services and counseling²
- Suboxone drug treatment
- Pre-employment physicals
- Gynecological services
- Diabetes care

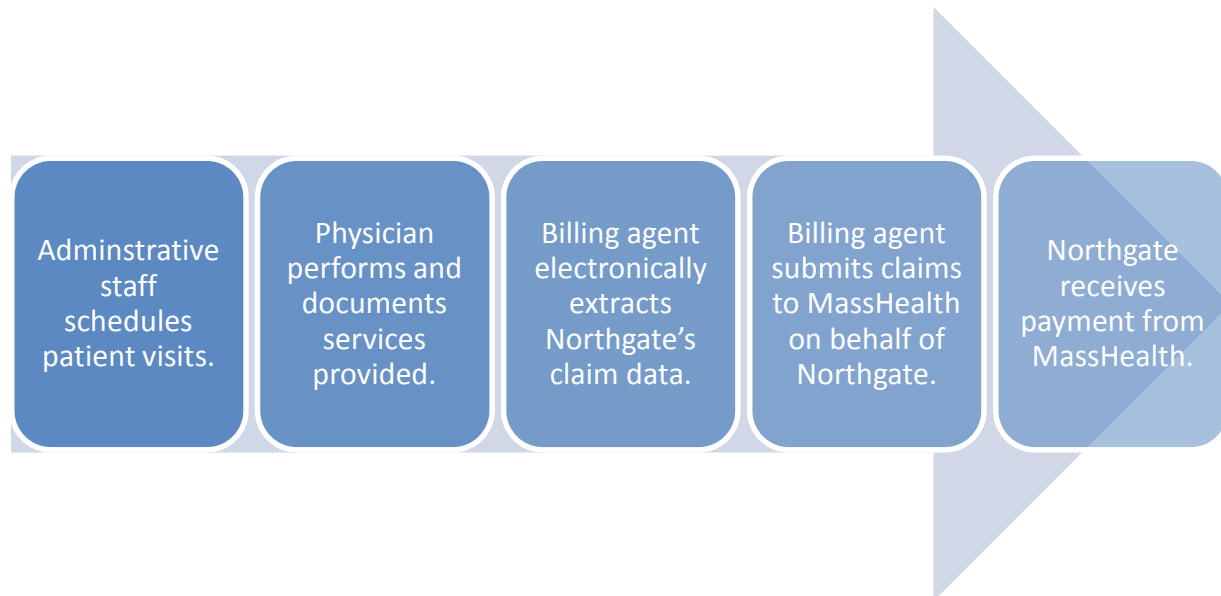
2. Counseling occurs only on primary-care cases, not as a general rule.

Scheduling and Billing Process

For part of our audit period, Northgate’s medical and administrative staff used a proprietary software product to schedule, document, and monitor member services. Northgate engaged the software developer as its billing agent during the audit period. Under its contract, the billing agent’s responsibilities included, but were not limited to, the following:

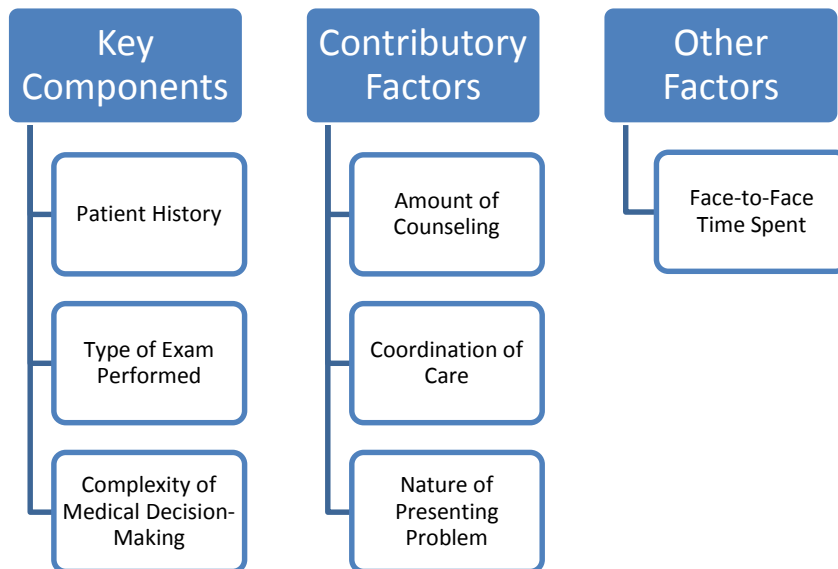
- submitting all medical claims to appropriate insurance carriers, including MassHealth
- resolving all patient and insurance-carrier billing issues and inquiries
- generating monthly management reports, including a detailed list of all medical services billed
- providing training and support for Northgate’s medical and administrative staff on the use of its software

Northgate paid the billing agent 6.5% of the amounts billed from all insurance carriers, including MassHealth. The illustration below shows the process Northgate used to schedule, document, and bill for member services.



E/M Services

Based on the American Medical Association's *Current Procedural Terminology Professional Edition 2014* (the CPT Codebook), patient visits and consultations are billed using E/M procedure codes. For new and established patients, E/M services provided in an outpatient setting are billed using 10 specifically defined E/M procedure codes.³ The more complex the services, the more the physician is compensated. For example, when a new patient presents with a minor problem (e.g., sunburn) requiring straightforward medical decision-making, the CPT Codebook directs providers to bill using E/M procedure code 99201. MassHealth pays physicians \$45.56 for this service. In contrast, when a new patient presents with a moderate- to high-severity problem (e.g., treatment for chronic obstructive pulmonary disease) requiring highly complex medical decision-making, the CPT Codebook directs providers to bill using E/M procedure code 99205. MassHealth pays physicians \$214.52 for this service. Medical providers must select the E/M procedure code that best represents the services rendered, giving consideration to the following seven factors:



Services Provided by NPs and PAs

NPs and PAs are nationally certified, state-licensed medical professionals who can practice medicine on healthcare teams with physicians and other providers. They can take medical histories, conduct physical

3. The CPT Codebook defines five E/M procedure codes for services provided to new patients (99201–99205) and five for services provided to established patients (99211–99215).

exams, diagnose and treat illnesses, order and interpret tests, develop treatment plans, counsel on preventive care, assist in surgery, write prescriptions, and make rounds in hospitals and nursing homes.

Independent NPs have their own unique MassHealth provider identification numbers and must bill for E/M services using this unique number. In contrast, non-independent NPs do not have unique MassHealth provider identification numbers. Typically, they are employed by physicians and collaborate with the physician when providing E/M services. A non-independent NP's services are billed using the collaborating physician's unique MassHealth provider identification number with a required modifier code (SA). Likewise, PAs do not have unique MassHealth provider identification numbers, and their services are also billed using the collaborating physician's unique MassHealth provider identification number with an appropriate modifier code (HN). This modifier code prompts MassHealth to pay 85% of the rate it would pay a physician for these services.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of evaluation and management (E/M) claims provided to MassHealth members by Northgate Medical P.C. (Northgate) for the period January 1, 2012 through December 31, 2014.

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 where each objective is discussed in the audit findings.

Objectives	Conclusions
1. Did Northgate bill for E/M services provided to MassHealth members using the following?	
a. procedure codes reflecting the level of service provided	No; see Finding <u>1</u>
b. required modifier codes for services performed by physician assistants or non-independent nurse practitioners	No; see Finding <u>2</u>
2. Did Northgate maintain documentation in member records to properly support E/M services provided?	Yes

Auditee Selection

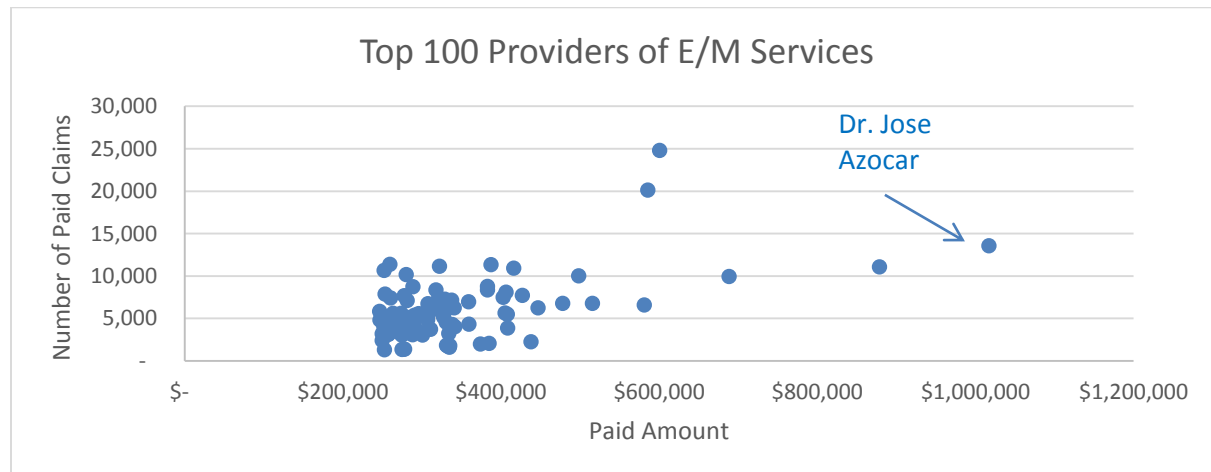
Medicare and Medicaid audits conducted by federal and state agencies have identified instances of fraud in claims submitted for E/M services. One type of fraud uncovered was upcoding. Upcoding occurs when providers bill for E/M services using a procedure code designated for highly complex, high-severity medical conditions even though the medical condition presented was self-limited (minor), requiring straightforward decision-making. For example, the federal Office of the Inspector General published the

following information in its study *Coding Trends of Medicare Evaluation and Management Services*, issued May 2012:

In 2010, nearly 370 million E/M services were provided by approximately 442,000 physicians nationwide. . . . Among these physicians, 1,669 billed the 2 highest level E/M codes within a visit type [e.g. outpatient/inpatient/new/established] at least 95 percent of the time. These 1,669 physicians represented less than 1 percent of all physicians who performed E/M services in 2010. These physicians substantially differed from others in their billing of E/M codes.

In some instances, office administrative personnel and physicians may not have received adequate training and support on the use of medical-record software. This could lead to unintentional upcoding, which would represent improper billing rather than fraud.

During our audit period, MassHealth paid its service providers approximately \$1.4 billion for E/M services. Because of the amount of these expenditures and because certain audits conducted by federal and other state agencies have identified fraud in claims for E/M services, OSA is conducting a series of audits focusing on providers of such services. We selected Northgate for audit because, using data analytics based on its primary physician (Dr. Jose Azocar), we determined that the high dollar amount of E/M claims⁴ billed by Northgate greatly exceeded the amounts billed by most of its peers, as illustrated in the graph below.



4. Our analysis included the amount paid by MassHealth to each service provider using procedure codes based on the American Medical Association's *Current Procedural Terminology Professional Edition 2014*.

Methodology

To achieve our audit objectives, we reviewed applicable state and federal laws, rules, and regulations; MassHealth Provider Bulletins and Transmittal Letters; and the American Medical Association's *Current Procedural Terminology Professional Edition 2014* (the CPT Codebook). We reviewed prior audits, conducted by MassHealth's Provider Compliance Unit, of physicians employed by Northgate. We also interviewed MassHealth officials, Northgate practitioners and administrative personnel, and Northgate's legal counsel and billing agent.

We queried all provider claims for E/M services from the Commonwealth's Medicaid Management Information System (MMIS) and the MassHealth Data Warehouse for the audit period. During this period, claims for E/M services totaled approximately \$1.4 billion. We performed data analytics on these claims to identify (1) the frequency and cost of E/M services billed by medical providers and (2) service trends and billing anomalies indicating potential fraud, waste, and abuse.

We performed an on-site review of member medical records. We used sampling software as a statistically valid technique to select a representative sample of 63 of the 1,733 E/M claims for procedure code 99215⁵ from the audit period to determine whether services billed were upcoded. To make this determination, we reviewed documentation regarding the sampled members' presenting problems, time spent with physicians, and medical and billing histories. We also used sampling software as a statistically valid technique to select a representative sample of 58 of the 17,254 total E/M claims from the audit period to determine whether Northgate billed using the correct service providers' unique MassHealth identification numbers and, if applicable, the required modifier codes. For both of these statistical samples, we projected the errors to the population. Additionally, we reviewed a random sample of 30 member medical records to determine whether E/M services provided were appropriately documented.

We assessed the reliability of the MassHealth data in MMIS, which is maintained by the Executive Office of Health and Human Services. As part of this assessment, we reviewed existing information, tested selected system controls, and interviewed knowledgeable agency officials about the data. Additionally, we performed validity and integrity tests on all claim data, including (1) testing for missing data; (2) scanning for duplicate records; (3) testing for values outside a designated range; (4) looking for dates outside specific time periods; and (5) tracing a sample of claims queried to information stored in MMIS.

5. According to the CPT Codebook, procedure code 99215 is for moderate- to high-severity presenting problems requiring the presence of a physician or other qualified healthcare professional.

Based on the analyses conducted, we determined that the data obtained were sufficiently reliable for the purposes of this report.

Based on the evidence we gathered to form conclusions on our objectives, we believe that all audit work, in particular the work referred to above, taken as a whole is relevant, valid, reliable, and sufficient and that it supports the findings and conclusions reached in this report. The collective evidence provides a reasonable basis for supporting the findings and conclusions within the context of the audit objectives.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Northgate Medical P.C. improperly billed for evaluation and management services totaling approximately \$54,000.

Our audit found that Northgate Medical P.C. (Northgate) did not use the correct procedure codes when billing for evaluation and management (E/M) services. Specifically, Northgate billed routine, less-complex cases using codes that were designated for high-complexity cases. This billing practice is referred to as upcoding. Northgate's upcoding of E/M services resulted in its receiving approximately \$54,000 in improper payments.

We tested a random statistical sample of 63 out of 1,733 paid claims for procedure code 99215 in order to project the potential problem to the population. Of these 63 claims, we identified 40 (approximately 64%) as billed using an incorrect procedure code. These 40 claims were billed using E/M procedure code 99215, but Northgate's medical records did not contain documentation to justify using that code.

The American Medical Association's *Current Procedural Terminology Professional Edition 2014* (the CPT Codebook) specifies that E/M code 99215 is used for the highest-complexity cases requiring the most face-to-face time with members (40 minutes). However, the 40 improper claims revealed that the presenting medical condition was not complex and physicians spent minimal face-to-face time with members. For example, Northgate billed E/M code 99215 for services such as treatment of cold/flu symptoms, follow-up visits, annual physicals, and prescription refills. The average face-to-face time spent on these visits was 10.5⁶ minutes. These problems or services represent limited or less-complex medical services or follow-up examinations for members. Thus, Northgate should have billed using lower-level E/M procedure codes 99211 through 99213.

Each time Northgate improperly billed E/M procedure code 99215 rather than 99213 (upcoding), MassHealth paid an additional \$74.14, or 97% more.

6. Face-to-face time was not always recorded for the sampled claims.

We projected the identified 64% error rate to the entire population of procedure code 99215 claims paid using a confidence level of 90% and a tolerable error rate of 10%, resulting in projected overpayments of approximately \$54,000 during the audit period.

Authoritative Guidance

MassHealth has issued regulations to ensure that claims paid for medical services reflect actual services provided. Specifically, Section 450.223(C) of Title 130 of the Code of Massachusetts Regulations (CMR) indicates that providers entering into a contract with MassHealth agree to the following:

The submission of any claim by or on behalf of the provider constitutes a certification (whether or not such certification is reproduced on the claim form) that . . . the information submitted in, with, or in support of the claim is true, accurate, and complete.

Additionally, 130 CMR 450.307 states,

(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 . . .

(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.

Finally, according to 130 CMR 450.331(B), MassHealth regulations hold providers responsible for all claims submitted for payment, even when they use a billing agent, as follows:

A provider's use of a billing agency does not relieve the provider of any responsibility imposed elsewhere in these regulations for the claims that the provider submits or that are submitted on the provider's behalf. Any provider that engages a billing agency for the preparation and submission of claims to the MassHealth agency is fully responsible to the MassHealth agency for all acts by such billing agent.

The CPT Codebook provides guidance on billing for E/M services provided to established patients: Of the five E/M procedure codes for such patients, physicians should bill using the one that best reflects the level of service provided given the seven factors previously described (see Overview of Audited Entity), including complexity of medical decision-making, nature of presenting problem, and face-to-face time. In addition, MassHealth's rate schedule for E/M codes defines specific payment amounts for each code. The table below provides descriptive details and rates for each of the five E/M codes for established patients.

E/M Procedure Code	Payment Amount	Face-to-Face Time	Description
99211	\$21.31	5 minutes	Minimal presenting problem, which may not require the presence of a physician
99212	\$45.95	10 minutes	Self-limited or minor presenting problem, requiring the presence of a physician or other qualified healthcare professional
99213	\$76.38	15 minutes	Low- to moderate-severity presenting problem, requiring the presence of a physician or other qualified healthcare professional
99214	\$112.57	25 minutes	Moderate- to high-severity presenting problem, requiring the presence of a physician or other qualified healthcare professional
99215	\$150.52	40 minutes	Moderate- to high-severity presenting problem, requiring the presence of a physician or other qualified healthcare professional

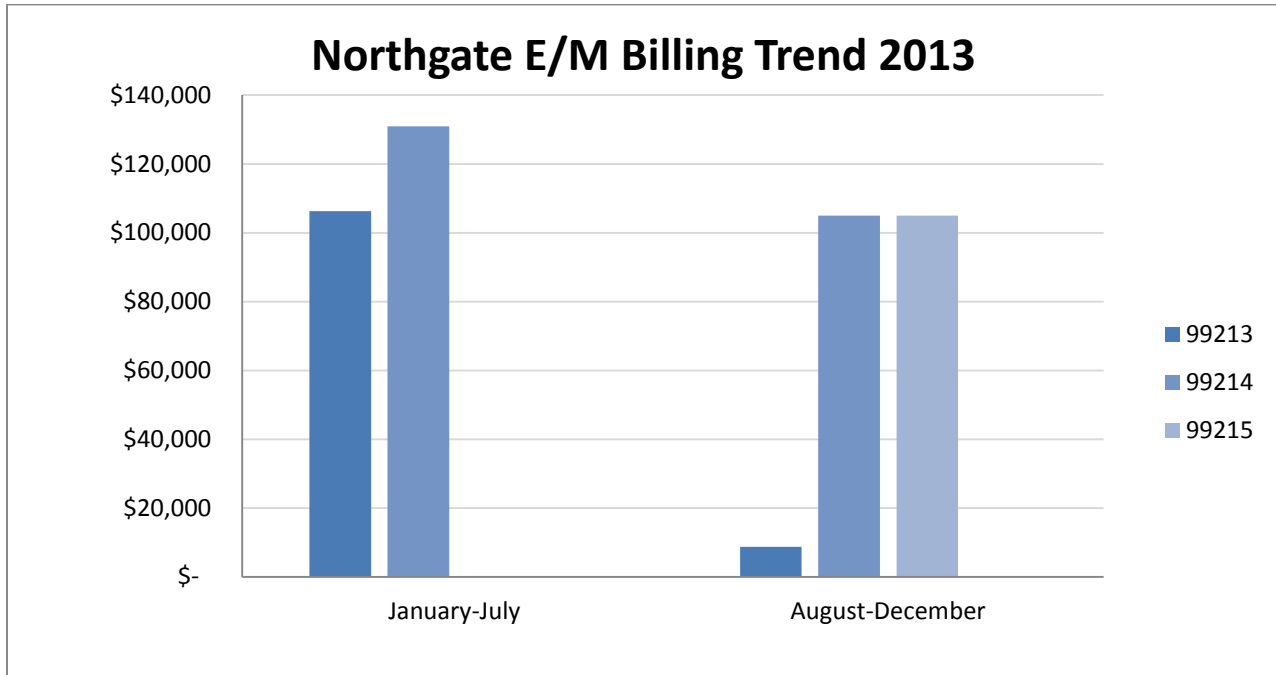
Reasons for Upcoded Claims

Beginning in August 2013, Northgate’s third-party billing contractor, Meridian Medical Management (MMM),⁷ began using a proprietary software program, eMERGE, that tracked and documented member services provided to MassHealth members. MMM trained Northgate’s medical and administrative personnel on proper management and use of eMERGE. Additionally, as part of its contract, MMM extracted member medical information daily to prepare and transmit all insurance claims.

When Northgate began using eMERGE in 2013, its claims for E/M procedure code 99215 sharply increased. Conversely, claims for E/M procedure 99213 dramatically declined. Specifically, for the seven-month period January 1, 2013 through July 31, 2013, Northgate received only \$87⁸ for E/M procedure code 99215. However, for the remaining five months of 2013, Northgate received \$104,968, as shown below.

7. For part of the audit period, MMM operated under the name Origin.

8. This amount represents MassHealth payments for three E/M services provided to MassHealth Part B Crossover members. Each of the three claims totaled \$28.95, representing the amount due from the patient, which MassHealth paid.



Northgate continued to overuse E/M code 99215 and, conversely, underuse the lower-complexity E/M codes (99211–99213) throughout 2014.

MMM officials explained that eMERGE considered a member's entire medical history, including current and past diagnoses, as well as familial medical histories, when identifying which E/M procedure code to bill. Thus, the resulting E/M procedure codes suggested by eMERGE were not based solely on members' current presenting conditions. We believe that this led to upcoding of claims submitted to MassHealth by MMM.

Finally, MMM explained that suggested procedure codes could be changed to reflect a lower level of service, if appropriate. However, with one exception, Northgate's medical staff was unaware of this system capability. Moreover, Northgate stated that MMM was hired for its expertise in Medicaid billing practices and that Northgate completely relied on MMM to bill MassHealth, without its own independent claim review.

Post-Audit Action

Beginning September 24, 2015, Northgate entered into a new agreement with a different billing agent, Convergent Solutions Inc. (Convergent), to provide medical-record software (NextGen) configuration, support, and billing services. Northgate receives monthly reports from Convergent detailing which

procedure codes were billed to MassHealth. This report enables Northgate to verify that submitted claims are appropriate and supported by required documentation.

Recommendations

1. Northgate should collaborate with MassHealth to repay the overpayment of approximately \$54,000 resulting from the upcoding of claims.
2. Northgate should review the monthly billing reports provided by Convergent to ensure that claims submitted for all E/M procedure codes are accurate and reflect the level of services provided.
3. Northgate should ensure that its medical staff is properly trained on the use of medical-record software, including modifying suggested E/M procedure codes to reflect the level of services provided.

MassHealth's Response

MassHealth agrees with the recommendations that Northgate Medical P.C. ("Northgate") 1) collaborate with MassHealth to repay the overpayment of approximately \$54,000 resulting from the upcoding of claims; 2) review the monthly reports provided by Convergent to ensure that claims submitted for all E/M procedure codes are accurate and reflect the level of services provided; and 3) ensure that its medical staff is properly trained on the use of electronic health record software, including modifying suggested E/M procedure codes to reflect the level of services provided. MassHealth intends to seek repayment from Northgate of the amount MassHealth overpaid due to upcoding of claims.

Auditee's Response

The auditor's report states that during January through July 31, 2013 Northgate only received \$87.00 for E/M procedure code 99215 but Northgate asserts that determination cannot be correct. There were too many cases handled by Northgate Medical during that time period which would have been considered a moderate to high severity presenting problem, requiring "the presence of a physician or other qualified health care professional" which would have qualified under the 99215 procedure. This 99215 code provides a payment amount of \$150.52. If the auditor has determined only one case was billed out under this 99215 procedure code during seven months of practice, then there were errors in the billing and MassHealth was under billed for those seven months. In addition, the commentary on page 13 by the auditor states that Northgate received only \$87.00 during the 1/1/2013–7/31/2013 period [but this] is not the correct payment amount for billings under the E/M procedure code 99215 as payment [for one claim] is in the amount of \$150.52. . .

In response to these preliminary findings, Northgate reviewed billings and records and has determined that more than \$87.00 was received by Northgate during the time period 1/1/13 through 7/31/13 for payment under 99215. . . . Northgate was able to conduct two random samplings under the E/M services. Specifically, Northgate ran two random samplings of 50 claims each, during the audit years 2012–2014, which samplings were randomly chosen by employees of Northgate who were unaware of the intent and purpose of the claim. Within each of those two 50

claim samplings, it was determined (a) in the first sampling, 14% of the encounters were billed as procedure code 99215, and (b) in the second sampling, 7.2% of those encounters were billed as 99215. The auditor's statistical sampling, which including only 30 charts, determined that 63% of the codes were 99215. The gross disparity in the random samplings requires at least a further review and analysis. Northgate's position is that the two samplings that it performed, which yielded 14% and 7.2%, when averaged to be approximately 11% of up-coding on encounters and, an application of error of 10%, the projected overpayments may have been at most approximately \$10,500.00 and not \$54,000.00.

Auditor's Reply

In its response, Northgate questions the validity of the Office of the State Auditor's (OSA's) results (\$54,000) and asserts that we found that 63% of its total claims billed for the audit period were under procedure code 99215. Based on its own sampling of claims, Northgate asserts that the amount of upcoding is \$10,500 at most.

We wish to clarify that from our sample of 30 charts, we did not determine that 63% of Northgate's claims were for procedure 99215. Rather, as our report states, we chose 63 claims from a population of 1,733, 100% of which we had already determined were for procedure code 99215, to find how many should have been billed under other codes. From this sample and our further investigation, we determined that 64% of these claims should have been billed under a different, correct code.

In addition, the method Northgate used to arrive at its \$10,500 figure is invalid. First, the results of a random nonstatistical sample cannot be projected to an entire population of claims; second, Northgate chose its samples from a different population, making it inappropriate to compare its projected figure and ours. Specifically, Northgate sampled claims from its entire population of E/M procedure codes (99201–99205 and 99211–99215), whereas our sample for this finding targeted procedure code 99215 exclusively. According to generally accepted government auditing standards, such a targeted sampling approach is valid when the auditors have isolated risk factors to a specific area. Our preliminary data analytics showed that Northgate was an outlier, compared to its peers, in its use of procedure code 99215 and was thus an area of risk. Therefore, our use of a targeted sample approach was appropriate and provides an accurate estimate of the upcoding conducted by Northgate during our audit period in the area reviewed. Further, we wish to point out that any amount of upcoding would be unacceptable.

In addition, Northgate asserts that it received more than \$87 for procedure code 99215 during the seven-month period ended July 31, 2013. However, the amounts presented in this report are accurate and are

based on the claim data maintained in the Commonwealth's Medicaid Management Information System, which we have determined to be reliable. The \$87 represents three claims paid by MassHealth for three members who have both Medicaid and Medicare coverage. Medicare was the primary payer on these claims, paying a total of \$113.47 per claim. MassHealth, as the last-billed payer, was only responsible for the remaining \$28.95 per claim. Northgate may also have billed for E/M services using procedure code 99215 for non-Medicaid patients, but these cases were not relevant to our audit; therefore, we did not report on them.

2. Northgate improperly billed MassHealth for approximately \$137,148 of E/M services performed by nurse practitioners and physician assistants.

Northgate did not use required modifier codes when billing MassHealth for E/M services provided by nurse practitioners (NPs) and physician assistants (PAs), contrary to state regulations. MassHealth pays for E/M services provided by NPs and PAs at lower rates than it pays when the same services are provided by physicians. Because Northgate did not submit claims using the required modifier codes, it was paid at the standard physician rate, resulting in approximately \$137,148 of overpayments during the audit period.

We examined the medical records for a random statistical sample of 58 out of 17,254 paid claims for all E/M services in order to project the potential problem to the population. Of these 58 claims, we identified 40 (69%) as claims for services provided by NPs and PAs. However, Northgate billed these services as if they were performed by physicians.

We projected this 69% error rate to the entire population of E/M claims paid (totaling \$1,325,100) using a confidence level of 90% and a tolerable error rate of 10%. The result was projected overpayments of \$137,148 during the audit period.⁹

Authoritative Guidance

According to 101 CMR 317.04(3), providers must use modifier codes for services performed by NPs and PAs. For non-independent NPs,¹⁰ the regulation requires the SA modifier, which it defines as follows:

Nurse Practitioner rendering service in collaboration with a physician. (This modifier is to be applied to service codes billed by a physician which were performed by a non-independent nurse

9. With a confidence level of +/-10%, questionable payments could range from \$123,433 to \$150,863.

10. The only NPs that Northgate employed during our audit period were non-independent NPs.

practitioner employed by the physician or group practice.) (An independent nurse practitioner billing under his/her own individual provider number should not use this modifier.)

For PAs, it requires the HN modifier, which it defines as follows:

Bachelor's Degree Level. (Use to indicate Physician Assistant) (This modifier is to be applied to service codes billed by a physician which were performed by a physician assistant employed by the physician or group practice.)

These modifier codes ensure that MassHealth will pay the appropriate, lower rate for the NP and PA services, which is established in MassHealth All Provider Bulletin 230 as 85% of the full physician rate.

Additionally, 130 CMR 450.301(A) states,

Except as provided in other program regulations, a claim for a medical service may be submitted only by the provider that provided the service. . . . An individual practitioner may not claim payment under his or her own name and provider number for services actually provided by another individual, whether or not the individual who provided the service is also a participating provider, or is an associate, partner, or employee of the individual practitioner.

Reasons for Lack of Modifier Codes

As previously stated, Northgate contracted with MMM to act as its billing agent. However, MMM did not incorporate protocols into the eMERGE software to ensure that modifier codes were included on claims when necessary. Northgate officials told us they were aware that claims for NP and PA services required certain modifier codes, but they did not independently review claim submissions, since Northgate completely relied on MMM for these services.

Had Northgate reviewed claim submissions, it could have mitigated or avoided both of the issues we found.

Recommendations

1. Northgate should collaborate with MassHealth to repay the overpayment of approximately \$137,148 resulting from E/M services provided by NPs and PAs but billed at physician rates.
2. Northgate should ensure that its new billing agent submits claims with the required modifier codes for services performed by NPs and PAs.
3. Northgate should perform independent reviews of claims submitted by its billing agent, including proper use of required modifier codes.

MassHealth's Response

MassHealth agrees with the recommendations that Northgate 1) collaborate with MassHealth to repay the overpayment of approximately \$137,148 resulting from E/M services provided by nurse practitioners (NPs) and physician assistants (PAs) billed at the physician rates; 2) ensure that its new billing agent submits claims with the required modifier codes for services performed by NPs and PAs; and 3) perform independent reviews of claims submitted by its billing agent, including review to ensure proper use of required modifiers. MassHealth intends to seek repayment from Northgate of the amount MassHealth overpaid due to improperly coded claims for E/M services provided by NPs and PAs.

Auditee's Response

Northgate has performed its own analysis with the two random samplings utilized by Northgate which yielded, in one case, 56% of claims being performed by mid-level providers and the second case, 39% of claims being performed by mid-level providers. MassHealth [OSA] used a 69% calculation value. Northgate acknowledges, based on its samplings, there were incorrect claims filed because the required modifier codes were not used, however, Northgate requests that its samplings be averaged with the MassHealth [OSA] sampling of 69% thereby creating an overall average of 55%. Northgate requests that the instance of lack of use of modifier codes should be reduced to 55% thereby causing an overpayment to Northgate of approximately \$120,000.00 which would be due from Northgate to MassHealth.

Auditor's Reply

Northgate agrees that it did not always use the required modifier codes when submitting claims for E/M services performed by NPs and PAs. In addition, Northgate, based on its own testing, requests that the amount of resulting overpayments be reduced from \$137,148 to \$120,000.

OSA does not have the authority to change the recoupment amount that MassHealth may request. We do note that, as previously mentioned, we chose our samples in accordance with generally accepted government auditing standards, and our projected overpayments are statistically extrapolated from those samples. However, we include this part of Northgate's response for MassHealth's reference.