



State of New Jersey

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Final Audit Report 2010-01 Millennium Health Care Inc.

November 23, 2010

Objective

The Medicaid program pays for prescribed durable medical equipment in accordance with N.J.A.C. 10:59. The objective of this audit is to examine claims and claim reporting procedures for Millennium Health Care Inc (Millennium) for compliance with N.J.A.C. 10:59.

Scope

The scope of this audit is limited to a review of a sample of DME recipients for whom Medicaid claims were paid for HCPC code E0450 - Volume Control Ventilators. Our primary focus was transactions during the period April 1, 2009 through June 1, 2010 (the date of our on site visit), however, it was necessary to review claim histories. During our audit testing we reviewed files and examined claims and claim reporting procedures for ten Medicaid recipients. Our records indicate there were 309 paid claims totaling \$567,438 for procedure code E0450 for the period beginning 2nd quarter 2009 through first quarter 2010. We reviewed 242 transactions totaling \$306,263.10. The audit is conducted under the authority of the *Medicaid Program Integrity and Protection Act*. (N.J.S.A. 30:4D-53 *et seq.*)

Background

Millennium is a Durable Medical Equipment supplier located in Whippany, NJ. The company enrolled in the Medicaid program effective 02/05/1995. Primary DME products include mechanical ventilators, airway clearance devices and oxygen therapy products.

Audit Personnel

This audit was performed by Yonette Morrison (*Supervising Auditor*), and Arsala Ali (*Staff Auditor*) of the Medicaid Fraud Division (MFD) Audit Unit.

Regulatory Guidance

Per N.J.A.C 10:59 – 1.8 (b)(2) If a medical equipment item has an approved maximum fee allowance of more than \$100.00, the monthly rental payment will be the amount billed or 12 percent of the fee, whichever is less. Ten such payments shall be deemed to be the full purchase price and no further payments shall be made and the equipment will be considered the property of the State.

Per N.J.A.C. 10:59 -1.7 (b) For durable medical equipment requiring prior authorization (PA), decisions regarding rental or purchase rest with the Division of Medical Assistance and Health Services (DMAHS).

Upon completion of our audit, the Medicaid Fraud Division of the Office of the State Comptroller issued a draft audit report to Millennium. The findings in the report indicated there was a disparity between current practice and the guidance outlined in N.J.A.C.10:59 with regard to volume control ventilators (E0450).

General Audit Observations:

- DME industry practice is not consistent with NJ Medicaid regulation N.J.A.C. 10:59 with regard to ventilator equipment and related services.
- Providers are billing continuously for ventilators whereas the regulations place a cap on rentals after 10 months. DMAHS discretion is allowed, however; decisions to allow continuous rentals though prior authorized, were inadequately substantiated and documented.

DMAHS' Response to Audit Observations

DMAHS informed the Medicaid Fraud Division that there was a typographical error in N.J.A.C.10:59 which resulted in a misstatement of the Division's policy regarding the rental/purchase option for ventilators. DMAHS further informed us that Prior Authorizations support the continuous rentals of ventilators. Going forward, DMAHS informed the Medicaid Fraud Division that the following corrective measures would be adopted:

- i. The administrative code will be revised to correct the typographical error to properly reflect the Medicaid/NJ Family/Care policy of providing continuous rental payments for volume control ventilators when medically necessary.
- ii. The Medicaid/NJ Family/Care Maximum Fee Allowance for E0450 rental payments will be reduced to better reflect the actual cost of providing frequent service for volume ventilators.

Audit Action based on DMAHS Response

Audit had recommended that the State of New Jersey be reimbursed a total of \$1,214,400.00 for overpayments Millennium received for volume control ventilators for the 10 Medicaid recipients in our sample, for which rental payments exceeded (10) months. In addition, audit recommended that 19 ventilators considered property of the State of New Jersey, should be used for Medicaid recipients only. This was intended to preserve the integrity of the Medicaid program.

Based on DMAHS' response, the audit finding in the original draft audit report regarding overpayments Millennium received for volume control ventilators (E0450) based on rental periods that exceeded (10) months along with the recommendations regarding the proper use of State owned property have been rescinded. However, our finding regarding the insufficiency of information provided by Millennium Health Care Inc. remained unanswered. Millennium has since been asked to furnish documentation to support the cost of monthly ventilator rentals of \$1,500.00 per ventilator, per recipient.

AUDIT FINDINGS & RECOMMENDATIONS

1. Inadequate Documentation to Support the Cost of Rental Services

Per N.J.A.C 10:49 – 9.8 (b) Providers shall agree to the following:

1. To keep such records as are necessary to disclose fully the extent of services provided, and, as required by N.J.S.A.30:4D-12(d), to retain individual patient records for a minimum period of five years from the date the service was rendered;
2. To furnish information for such services as the program may request;
3. **That where such records do not document the extent of services billed, payment adjustments shall be necessary.**

Millennium bills an average of \$1,500 per ventilator, per recipient, per month, for the Medicaid recipients in our sample. DMAHS reimburses providers a maximum of \$1,265.55 per ventilator, per recipient, per month.

Millennium received a total of \$306,263.10 in Medicaid payments for the 242 claims we reviewed. Millennium has not provided sufficient documentation to support the monthly billings of \$1,500.00 per ventilator, per recipient. If our computations were based on reimbursement for the average ventilator usage of 5.1 years, per recipient in our sample, the total average Medicaid payment Millennium received for the 10 recipients in our sample would be \$1,549,033.20.

Recommendation

We recommend that Millennium reimburse the State of New Jersey \$306,263.10. This amount represents Medicaid payments that Millennium received for the 242 claims (E0450) we reviewed for the Medicaid recipients in our sample. The reimbursement of \$306,263.10 is assessed because Millennium failed to furnish information to substantiate the cost of services billed of \$1,500 per month, per ventilator, per recipient, for audit purposes. Also, Millennium has not provided records that sufficiently **document the extent of services billed; therefore, payment adjustments shall be necessary in keeping with N.J.A.C.10:49-9.8(b).**

Response

The provider declined to provide information. *The materials previously provided by the provider did not substantiate or prove that the actual cost of services billed was \$1,500 per month, per ventilator, per recipient. The declination limited our ability to audit records pertaining to the true cost of medical supplies and equipment provided to Medicaid /NJ FamilyCare beneficiaries as required by N.J.A.C. 10:59-1.3(c) 6(ii). Therefore, our audit recommendation is upheld.*

2. Prescriptions

Our prescription review noted the following:

- Seven (7) of the ten (10) or 70% of prescriptions reviewed did not include the Medicaid recipient's address.
- None of the prescriptions in our sample included the Medicaid recipient's Medicaid Identification Number.

Although the missing information was verified to other documentation in the recipient files, the information is required on prescriptions per N.J.A.C. 10:59.

Recommendation

Prescribing physicians should be reminded to complete all information required on prescriptions per N.J.A.C.10:59.

Response

The provider did not provide comments.

Note: Subsequent to the audit, as of March 1, 2011, Millennium Respiratory Services furnished information to the Recovery Unit of the Medicaid Fraud Division which resulted in the conclusion below:

Audit Conclusion:

The Medicaid Fraud Division concurs with the corrective measures DMAHS proposed in response to the audit observations noted in the above audit report. This decision is based on information furnished by the provider during the recovery phase (Recovery) of the audit. During the Recovery phase, the provider provided documentation to support their monthly billings for ventilator services. Audit reviewed this documentation and determined that while there would be no payment adjustment, a change in the regulation is necessary. A correction of the typographical error in the regulations will foster industry practice that is consistent with regulatory guidance with regard E0450 transactions. In addition, the proposed reduction in E0450 rental payments would result in significant cost savings to the Medicaid program across all participating E0450 providers. The proposed reduction in rate to approximately 80% of the current Medicare rate would result in annual cost savings of approximately \$852,000 to the Medicaid program.

Cc:
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