



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services
Jacob Javits Federal Building
26 Federal Plaza, Room 3900
New York, NY 10278

May 18, 2011

Report Number: A-02-11-01005

Ms. Anne Bockhoff Dalton
Vice President
National Heritage Insurance Company, Corp.
75 Sgt. William B. Terry Drive
Hingham, MA 02043

Dear Ms. Bockhoff Dalton:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Medicare Payments to Arimed Orthotics and Prosthetics, Inc., for Lower Limb Prosthetic Services for the Period January 1, 2008, Through December 31, 2009*. We will forward a copy of this report to the HHS action official noted on the following page.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-02-11-01005 in all correspondence.

Sincerely,

/James P. Edert/
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

Ms. Nanette Foster Reilly
Consortium Administrator
Consortium for Financial Management & Fee for Service Operations
Centers for Medicare & Medicaid Services
601 East 12th Street, Room 235
Kansas City, MO 64106

cc:

Mr. Steven Mirones
President, Arimed Orthotics and Prosthetics, Inc.

Department of Health & Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICARE PAYMENTS
TO ARIMED ORTHOTICS AND
PROSTHETICS, INC., FOR
LOWER LIMB PROSTHETIC SERVICES
FOR THE PERIOD JANUARY 1, 2008,
THROUGH DECEMBER 31, 2009**



Daniel R. Levinson
Inspector General

May 2011
A-02-11-01005

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health & Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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Notices

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

INTRODUCTION

BACKGROUND

Medicare Program

The Medicare program, established under Title XVIII of the Social Security Act (the Act) in 1965, provides health insurance to people age 65 and over, people with disabilities, and people with end-stage renal disease. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program.

Durable Medical Equipment, Prosthetics, Orthotics, and Supplies

Pursuant to sections 1832(a)(2)(I) and 1861(n) of the Act, Medicare Part B provides for the coverage of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS).

Prosthetic devices replace all or part of a body organ. Lower limb prosthetics include foot, ankle, or shin replacements, and associated parts and supplies (e.g., socks and shoe inserts).

Pursuant to section 1834(a)(11)(B) of the Act, payment for certain DME supplies may be made only if a physician has communicated to the supplier, before delivery of the item, a written order for the item. In addition, pursuant to 42 CFR § 424.57(c) (12), payment for DME supplies may be made only if the supplier maintains proof of delivery of the items to the beneficiary. The regulations also require that the supplier document that it provided the beneficiary with necessary information and instructions on how to use the items safely and effectively.

National Heritage Insurance Company

CMS contracts with durable medical equipment Medicare administrative contractors (DME MAC) to process and pay Medicare Part B claims for DMEPOS. The DME MAC that covers New York State is National Heritage Insurance Company. Under Medicare Part B, the DME MAC reimburses DMEPOS suppliers for prosthetic services based on a fee schedule.

Arimed Orthotics and Prosthetics, Inc.

Arimed Orthotics and Prosthetics, Inc., (Arimed) is a DMEPOS supplier with offices in New York City. For calendar years (CY) 2008 and 2009, Arimed received Medicare reimbursement totaling \$399,124 for lower limb prosthetic services.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Medicare payments to Arimed for lower limb prosthetic services were correct.

Scope

Our review covered 644 claims, totaling \$399,124, for which Arimed received Medicare reimbursement for services during the period CYs 2008 and 2009.

We did not assess the overall internal control structure of Arimed. Rather, we limited our review of internal controls to those applicable to the objective of our audit.

We performed our fieldwork at Arimed's offices in Brooklyn, New York, and at various physicians' offices, and beneficiary residences throughout New York City from November 2010 through March 2011.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws and regulations;
- interviewed National Heritage Insurance Company officials to gain an understanding of the procedures the DME MAC has in place to prevent inappropriate payments for lower limb prosthetic services;
- obtained from CMS's National Claims History File a sampling frame of 644 claims for lower limb prosthetics services, totaling \$399,124, for which Arimed received reimbursement for services during CYs 2008 and 2009; and
- selected a simple random sample of 100 claims from the sampling frame of 644 claims, for each of which we:
 - reviewed Arimed's files to determine if a physician had communicated with Arimed, before delivery of the item, a written order for the item;
 - reviewed Arimed's documentation of proof of delivery of the item(s);
 - interviewed the referring physician to verify that the physician provided a written order for the item(s) to Arimed; and
 - interviewed the beneficiary, if available, to determine whether the beneficiary received the item(s) claimed.¹

¹ Due to various reasons (e.g., no current contact information or the beneficiary was deceased), we were only able to visit 21 of the 37 beneficiaries in our sample.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

RESULTS OF REVIEW

Medicare payments to Arimed for lower limb prosthetic services were correct. As a result, this report contains no recommendations.