



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

Region IX
50 United Nations Plaza, Rm. 171
San Francisco, CA 94102
(415) 437-8360 FAX (415) 437-8372

Report Number: A-09-03-00034

July 2, 2003

Mr. Jay Martinson
Executive VP and Chief Operations Officer
Noridian Administrative Services
4510 13th Avenue SW
Fargo, North Dakota 58121-0001

Dear Mr. Martinson:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General, Office of Audit Services' report entitled "Review of Medicare Part B Payments to Hawaii Air Ambulance" for the period January 1, 2000 through December 31, 2001. A copy of this report will be forwarded to the action official noted below for her review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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To facilitate identification, please refer to Report Number A-09-03-00034 in all correspondence relating to this report.

Sincerely,

Wanwan HK Lun

For Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:

Ms. Cassie Undlin
Chief Financial Officer
Centers for Medicare and Medicaid Services
2201 Sixth Avenue
MailStop/RX 40
Seattle, WA 98121-2500

cc: Hawaii Air Ambulance, Inc.

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICARE PART B
PAYMENTS TO HAWAII AIR
AMBULANCE**



**JULY 2003
CIN:A-09-03-00034**

Office of Inspector General

<http://oig.hhs.gov/>

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The OIG's Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the Department.

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OAS FINDINGS AND OPINIONS

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





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Report Number: A-09-03-00034

July 2, 2003

Mr. Jay Martinson
Executive VP and Chief Operations Officer
Noridian Administrative Services
4510 13th Avenue SW
Fargo, North Dakota 58121-0001

Dear Mr. Martinson:

This final report presents the results of our audit of Medicare Part B payments to Hawaii Air Ambulance (HAA) for the period January 1, 2000 through December 31, 2001. During the audit period, HAA claimed \$1,188,519 of Medicare Part B payments for 1,115 air ambulance transports.

Objective of Audit

The objective of our audit was to determine whether HAA billed the Medicare program for transporting beneficiaries to acute care hospitals as required under the Centers for Medicare and Medicaid Services (CMS) Carriers Manual coverage guidelines.

Summary of Finding

Overall, our review disclosed that HAA substantially complied with Medicare guidelines. Using computer analyses, we initially identified 283 claims that appeared not to have matching admissions to acute care hospitals or emergency room services. However, based on our review of HAA and hospital records for 104 claims, we found only 3 claims totaling \$2,938 were actually unallowable under Medicare guidelines. For the remaining 101 claims, we found that the Medicare beneficiaries were transported to acute care hospitals.

We discussed our finding with an HAA official. The official did not agree that Medicare guidelines limited payments to transporting beneficiaries to acute care hospitals. We recommend that Noridian Administrative Services (Noridian) (i) recover the \$2,938; and (ii) educate HAA on the Medicare allowable air ambulance destinations.

In its written response to our draft report, Noridian officials did not agree completely with the finding and recommendations presented in the report. Upon review of Noridian's comments, we have revised our finding and recommendations accordingly. The full text of Noridian's comments is included as Appendix B to this report.

INTRODUCTION

Background

The HAA was the sole provider of fixed-wing air ambulance that provided emergency air ambulance services among the Hawaiian Islands. The beneficiaries who received HAA air ambulance services were normally transported from a hospital on one island to another hospital on another island. The HAA received and discharged the beneficiary at the airport location with a ground ambulance provider furnishing the transportation to and from the hospital and the airport. The HAA submitted its air ambulance billings to Noridian, the Medicare Part B carrier for processing and payment.

The CMS Carriers Manual, Part 3 Chapter II Coverage and Limitations Section 2120.4, discusses the coverage guidelines for air ambulance services. In general, Medicare allows for air ambulance transportation of a beneficiary provided it is medically appropriate. However, Section 2120.4 (F) Special Coverage Rule states:

“Air ambulance services are not covered for transport to a facility that is not an acute care hospital, such as a nursing facility, physician’s office or a beneficiary’s home.”

The Noridian Medicare Ambulance Manual, dated April 1999, contains identical language as shown in the CMS Carriers Manual Air Ambulance Special Coverage Rule section.

Objective, Scope, And Methodology

Objective

The objective of our audit was to determine whether HAA billed the Medicare program for transporting beneficiaries to acute care hospitals as required under the CMS Carriers Manual coverage guidelines.

Scope and Methodology

For the 2-year period January 1, 2000 through December 31, 2001, HAA received Medicare Part B payments totaling \$1,188,519 for 1,115 air ambulance claims. We conducted computer analyses using the CMS National Claims History (NCH) file of fee-for-service Medicare billings in order to identify HAA ambulance services with no related acute care hospital admission or emergency room service. Based on our computer analyses, we identified 283 claims totaling \$308,277 of Medicare payments. In order to review the 283 claims, we divided them into two strata:

- Stratum No. 1 consisted of 279 HAA claims totaling \$304,371 of Medicare payments that did not have a matching hospital admission or hospital outpatient claim. For this stratum, we randomly selected a sample of 100 claims totaling \$107,741 for our review.

- Stratum No. 2 consisted of four HAA claims totaling \$3,906 of Medicare payments. Our computer analyses indicated that the claims did match to hospital outpatient billings, but had no emergency room charges. We reviewed all four of these claims.

Appendix A presents additional details of our sampling methodology.

Our review included visits to HAA and selected hospitals. For each sample claim, we reviewed HAA's supporting ambulance report files to identify the destination of the ambulance transport. We contacted the listed facility destinations to verify (i) the facility was an acute care hospital, and (ii) the sample beneficiary received either inpatient treatment or emergency room care. Since our audit objective was limited to determining the air ambulance transport destination, we did not perform any medical review on the sample claims.

Our review was conducted in accordance with generally accepted government auditing standards. We did not review the overall internal control structure of HAA since such a review was not necessary to accomplish our audit objective. Our audit fieldwork was conducted from January 2003 through April 2003.

FINDING AND RECOMMENDATIONS

Review of HAA Claims

Our review of the 104 claims disclosed only 3 claims totaling \$2,938 of Medicare payments were unallowable. For the remaining 101 sample claims, HAA air ambulance transported the Medicare beneficiaries to acute care hospitals. The details of our review by strata are shown below:

Stratum No. 1. We reviewed 100 sample claims totaling \$107,741. Based on computer analyses, these HAA claims appeared not to have any matching hospital admission or hospital outpatient claim. However, our review of records disclosed that only two of these claims, totaling \$1,912, were unallowable for Medicare reimbursement.

Unallowable Claims. Two of the sample claims did not comply with Medicare guidelines. The beneficiaries were transported to destinations other than acute care hospitals. One beneficiary was transported to a skilled nursing facility and the other beneficiary was transported to a physician's office located within a hospital clinic. We did not project the sampling errors found in Stratum No. 1 to the universe of 279 claims because the number of non-zero values did not meet the minimum required by OIG internal policy.

Allowable Claims. Ninety-eight of the sample claims, totaling \$105,829, complied with Medicare guidelines. The beneficiaries were transported to acute care hospitals. The majority of these claims were for beneficiaries with a Medicare Managed Care Organization (MCO) plan coverage.

Providers who participate with a MCO plan file their claims with the plan whereas all other providers file fee-for-service claims that appear on the NCH files. The HAA did not participate with a MCO plan and, thus, submitted its fee-for-service claims with Noridian. However, the destination hospitals did participate with the MCO. The hospital claims were processed by the MCO and did not appear in the NCH system. The MCO plan coverage issue validates why we could not find a matching hospital claim in the NCH even though the sample beneficiaries were transported to hospitals.

Stratum No. 2. We reviewed four claims totaling \$3,906. These HAA claims did have matching hospital outpatient billings, but had no emergency room charges. Our review disclosed that one claim, totaling \$1,026, was not allowable for Medicare reimbursement.

Unallowable Claim. One of the sample claims did not comply with Medicare guidelines. The beneficiary was transported to an intermediate care facility instead of an acute care hospital.

Allowable Claims. Three of the sample claims, totaling \$2,880, complied with Medicare guidelines. The beneficiaries were transported to acute care hospitals. For two beneficiaries, the transports were made to a cardiac catheterization laboratory, which we accepted as being part of an acute care facility. The third beneficiary was transported and admitted to an acute care facility in December 2000 and discharged in the following year January 2001. Therefore, the HAA claim and the acute care facility claim appeared in two different NCH file years.

Finding Discussed with HAA Official

We discussed our audit finding with the HAA Chief Executive Officer during our exit conference. He stated that under state laws, HAA must provide air ambulance services for beneficiaries if requested by a physician. He believed that, if a physician authorized an air ambulance trip, the claims should be allowable regardless of the destination. However, he did not provide any specific Medicare guidance to support his position.

Although we found that HAA was substantially complying with Medicare guidelines for air ambulance transports, we believe that Noridian should instruct HAA regarding Medicare requirements to avoid unallowable billings in the future.

Recommendations

We recommend that Noridian:

1. Recover the \$2,938 of unallowable Medicare Part B payments, and
2. Educate HAA on the Medicare allowable air ambulance destinations.

Noridian's Comments

In a letter dated June 5, 2003, Noridian concurred with our finding on the two unallowable HAA claims in Stratum No. 1 and agreed to recover the overpayments. It also concurred with our finding in Stratum No. 2; however, since the beneficiary was no longer alive, Noridian felt "it would be futile to recoup payment from an estate that is most likely closed."

Noridian did not agree with our draft report finding of the two unallowable claims in Stratum No. 2 in which the beneficiaries were transported to a cardiac catheterization laboratory. Noridian believed that the cardiac catheterization laboratory was a part of an acute care facility and the *air* ambulance transport met the test of medical necessity.

Noridian also agreed with our recommendation to educate HAA on allowable air ambulance destinations and scheduled the education during the month of June 2003. The full text of Noridian's comments is included as Appendix B to this report.

Office of Audit Services Response

Noridian should recover overpayments from HAA on each of the three claims with unallowable destinations. The death of a beneficiary does not affect the allowability of a claim submitted by HAA, the *air* ambulance provider.

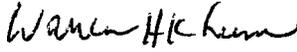
We accepted Noridian's comment on the two beneficiaries who were transported to a cardiac catheterization laboratory as being a part of an acute care hospital especially since the transportation was determined to be medically necessary. Therefore, we have adjusted our finding in Stratum No. 2 and our recommended recovery of unallowable payments accordingly.

* * * * *

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services' reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

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Sincerely,


Lori A. Ahlstrand
Regional Inspector General
for Audit Services

APPENDICES □

Sampling Methodology

Review Objective

The objective of our audit was to determine whether HAA billed the Medicare program for transporting beneficiaries to an acute care hospital as required under the CMS Carriers Manual coverage guidelines.

Population

We conducted computer applications using the CMS National Claims History file of fee-for-service Medicare billings in order to identify HAA ambulance services with no related hospital admission or emergency room service during the 2-year period January 1, 2000 through December 31, 2001. Based on our computer analyses, we identified 283 claims totaling \$308,277 of Medicare payments that match our criteria. In order to review the 283 claims, we divided them into two strata: Stratum No. 1 consisted of 279 claims totaling \$304,371 in Medicare payments that did not have a matching acute care hospital admission or outpatient claim; and Stratum No. 2 consisted of four HAA claims totaling \$3,906 that matched hospital outpatient claims but with no emergency room charges.

Sampling Unit

The sample unit was a HAA ambulance claim shown on the National Claims History with a provider payment amount greater than zero.

Sampling Design

A simple random sample design was used for Stratum No. 1. We reviewed all four claims in Stratum No. 2.

Sample Size

We selected 100 sample units for Stratum No. 1.

Source of Random Numbers

Department of Health and Human Services, Office of Inspector General, Office of Audit Services' Random Number Generator.

Estimation Methodology

We did not project the sampling errors found in Stratum No. 1 to the universe of 279 claims because the number of non-zero values did not meet the minimum required by Office of Inspector General internal policy.



Jay Martinson
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& COO
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June 5, 2003

Lori A. Ahlstrand, Regional Inspector General
Office of Inspector General
Office of Audit Services
Region IX
50 United Nations Plaza, Rm. 171
San Francisco, CA 94102

Dear Ms. Ahlstrand:

Noridian Administrative Services, LLC. (NAS) is responding to your audit entitled "Review of Medicare Part B Payments to Hawaii Air Ambulance." The report number is: A-09-03-00034. We would like to give rebuttal on your findings in the report.

NAS agrees that [REDACTED], in stratum one, was transported to a facility that does not meet the coverage criteria for air ambulance transport. We agree that it is appropriate to recoup the amount NAS reimbursed for that service.

NAS agrees that, [REDACTED], in stratum one, was transported to a facility that does not meet the coverage criteria for air ambulance transport. We agree that it is appropriate to recoup the amount NAS reimbursed for that service.

NAS agrees that, [REDACTED], in stratum two, was transported to a facility that does not meet the coverage criteria for air ambulance transport. However, [REDACTED] died several weeks after this transport. NAS feels that it would be futile to recoup payment from an estate that is most likely closed.

NAS does not agree that, [REDACTED], in stratum two, was transported to a facility that does not meet the coverage criteria for air ambulance transport. The patient's condition at time of transport did warrant the use of ambulance transport. Straub Clinic and Hospital is a major cardiac catheterization and cardiovascular surgical center on Oahu. Patients with unstable angina are uniformly transferred from all of the outer islands to Oahu for care, either at Straub, St. Francis, Kuakini, Queen's, or Tripler Army Hospital. The cardiac catheterization lab is part of an acute care facility. We find no regulations that state a patient must have ER services or have been an inpatient for the ambulance trip to be reimbursed. However, in this case

we do have Medicare Part B claim that shows a cardiac catheterization was billed as an inpatient. The patient met medical necessity and he was transported to an acute care facility. NAS feels the claim payment was correct.

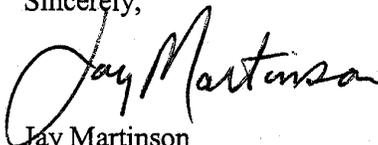
NAS does not agree that, [REDACTED], in stratum two, was transported to a facility that does not meet the coverage criteria for air ambulance transport. The patient's condition at time of transport did warrant the use of ambulance transport. This patient was also transported to Straub. We also show claims billed to Medicare Part B for the catheterization as well as a hospital discharge. As before, we find no regulations that state a patient must have ER services or have been an inpatient for the ambulance trip to be reimbursed. This patient met medical necessity and he was transported to an acute care facility. NAS feels the claim payment was correct.

It was also suggested that NAS educate Hawaii Air Ambulance on allowable air ambulance destinations. NAS agrees to this recommendation and will provide that education with in the month of June 2003.

Thank you for the opportunity to respond to this audit.

Please contact our Manager of Part B Medical Review, Bryan Danielson at 701-282-1190 with your questions.

Sincerely,



Jay Martinson
Executive Vice President & COO
Noridian Administrative Services

OIG NOTE: References to beneficiary names and HIC numbers have been omitted from Noridian's response letter. In addition, Noridian's comments in which it disagreed with the two cardiac catheterization laboratory transports in Stratum two are no longer applicable since our tentative findings were deleted.

ACKNOWLEDGMENTS

This report was prepared under the direction of Lori A. Ahlstrand, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff who contributed include:

Douglas Rennie, *Audit Manager*

Warren Lum, *Senior Auditor*

Mabel Yeung, *Auditor*

Linda Siu, *Auditor*

For information or copies of this report, please contact the Office of Inspector General's Public Affairs office at (202) 619-1343.