



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH

JAMES K. HAVEMAN
DIRECTOR

May 23, 2013

Mr. Doug Ringler
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached are the preliminary summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's Performance Audit of the Medical Services Administration, Durable Medical Equipment, Prosthetics, Orthotics, and Supplies.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 373-1508 or Myersp3@michigan.gov.

Sincerely,

Signature Redacted

Pam Myers, Director
DCH Office of Audit

Enclosure

Cc: Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
Executive Office
DCH, James K. Haveman
DCH, Timothy Becker
DCH, Karla Ruest

House Appropriations Committee
House Standing Committee
Senate Appropriations Committee
Senate Standing Committee
DCH, Nick Lyon
DCH, Steve Fitton

PERFORMANCE AUDIT OF THE
DURABLE MEDICAL EQUIPMENT,
PROSTHETICS, ORTHOTICS, AND SUPPLIES

DEPARTMENT OF COMMUNITY HEALTH

JANUARY 2013

AUDIT RESPONSE

Approved: *Timothy J. Becker*
Timothy Becker, Senior Deputy Director
Department of Community Health, Operations Administration

Date: 05/08/2013



AUDIT REPORT SUMMARY

DEPARTMENT: Community Health
AUDIT PERIOD: October 1, 2009 through June 30, 2012
REPORT DATED: January 3, 2013

DISPOSITION OF AUDIT RECOMMENDATIONS

<u>CITATIONS COMPLIED WITH</u>	<u>CITATIONS TO BE COMPLIED WITH</u>	<u>CITATIONS DCH DID NOT AGREE WITH</u>
Finding 1 (a -b)		
	Finding 1 (c), 5-31-13	
	Finding 2, 5-31-13	
	Finding 3(a-b), 5-31-13	
Finding 3(c)		
		Finding 4 (a)
	Finding 4 (b), (d-e), 5-31-13	
		Finding 4 (c)
Finding 5		
		Finding 6
	Finding 7, 9-1-13	
	Finding 8, 1-1-14	

**Audit Response
Performance Audit
Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS)
Department of Community Health
October 1, 2009 through June 30, 2012**

Recommendation 1: Claims Paid for Dually Enrolled Beneficiaries

OAG recommended that DCH ensure proper payment of DMEPOS for dually enrolled beneficiaries.

Response:

- part a: DCH reviewed all existing DMEPOS coding to ensure that prior authorization edits for DMEPOS were appropriate. Subsequent to this review, a system edit change was implemented in February 2013 so that future claims requiring prior authorization pend for manual review prior to payment.
- part b: DCH implemented system changes in December 2012 for the effected claim adjustment reason codes and has all edits operational. In addition, DCH clarified claim adjustment reason code instructions to ensure appropriate manual review and processing.
- part c: DCH continues to work to identify claims that were paid prior to Medicare reimbursement. DCH has currently performed claim adjustments for some claims and will pursue recovery of additional claims as necessary. DCH anticipates that the remaining claims will be identified by June 2013.

Recommendation 2: Duplicate Payments

OAG recommended that DCH ensure that it prevents, detects, and recovers duplicate payments for DMEPOS.

Response:

DCH has completed a review to identify all impacted claims for recovery. System changes for duplicate claims were implemented in February 2013. DCH is anticipating processing recoveries during May 2013.

Recommendation 3: Claims Paid for Beneficiaries in Nursing Facilities

OAG recommended that DCH ensure proper payment for DMEPOS for beneficiaries residing in nursing facilities.

Response:

- part a: DCH has completed a review to identify the impacted claims. A summary report of the review has been completed and provided to DCH management to aid in the decision making process regarding recoveries. DCH will move forward accordingly based on management's review of the summary report and decision.

**Audit Response
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- part b: DCH has completed a review to identify the impacted claims and is anticipating processing recoveries during May 2013.
- part c: DCH updated the DMEPOS database in October 2012 to include a field that indicates what procedure codes are included in the nursing facility per diem rate.

Recommendation 4: Incontinence Supplies

OAG recommended that DCH ensure proper payment for incontinence supplies.

Response:

- part a: DCH established a workgroup to analyze the findings in this report and review existing policy and the volume purchase contract to clarify any exceptions. DCH determined recoveries will not be made against these claims.
- part b: DCH has completed a review to identify the impacted claims and is anticipating processing recoveries during May 2013.
- part c: Upon deeper analysis, the DCH workgroup identified that claims cited in this section were not improperly paid, but paid correctly according to policy. These claims could be paid to the volume purchase contractor under their regular NPI rather than their volume purchase contract because the services fall within the realm of the regular contract.
- part d: DCH has completed a review to identify the impacted claims and is anticipating processing recoveries during May 2013.
- part e: DCH has completed a review to identify the impacted claims and is anticipating processing recoveries during May 2013.

Recommendation 5: Claims Paid for Beneficiaries Enrolled in a Medicaid Health Plan (MHP)

OAG recommended that DCH ensure proper payment for DMEPOS for beneficiaries enrolled in an MHP.

Response:

DCH has analyzed the claims and added necessary DMEPOS procedure codes to the post payment recovery process. In addition, the DMEPOS claim types have been added to the quarterly MHP recovery process as of February 2013, resolving the issue for future claims.

**Audit Response
Performance Audit
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Recommendation 6: Medicaid Rates in Excess of Medicare Rates

OAG recommended that DCH ensure that it establishes Medicaid rates for DMEPOS consistent with its policy.

Response:

DCH will continue to grant exceptions for reimbursement to ensure that beneficiaries are provided the appropriate care. In addition, DCH is reviewing current Medicaid Provider Manual language to determine what, if any, language changes are necessary.

Recommendation 7: Policies and Procedures

OAG recommended that DCH develop written internal policies and procedures for establishing and periodically evaluating DMEPOS covered services and associated payment rates.

Response:

DCH Program Policy division is working on formalizing policies and procedures for establishing and periodically evaluating DMEPOS covered services and associated payment rates. The policy is currently in a draft stage. Anticipated completion, September 1, 2013. .

Recommendation 8: Payment Rates for Used DMEPOS

OAG recommended that DCH consider establishing reduced payment rates for used DME.

Response:

DCH Program Policy division is continuing to research the finding and is polling other states to gather additional information regarding rates. Anticipated completion, January 1, 2014