U.S. Department of Labor
Office of Inspector General
Office of Audit

BRIEFLY…

Highlights of Report Number: 03-12-002-04-431, to the Acting Director of the Office of Workers' Compensation Programs.

WHY READ THE REPORT

The Office of Inspector General (OIG) audited claims paid by the Office of Workers' Compensation Programs (OWCP) under the Federal Employees' Compensation Act (FECA) program for durable medical equipment (DME). The FECA program provides wage replacement benefits, medical treatment, vocational rehabilitation, and other benefits to federal workers who experience work-related injury or occupational disease. DME is equipment that can withstand repeated use, serves a medical purpose, is generally not useful to a person in the absence of illness or injury, and is appropriate for use in a patient's home. The audit covered DME claims totaling $12.6 million paid to 2,700 providers during the period October 1, 2009, to December 31, 2010, which represents approximately 1 percent of total medical bills paid by OWCP for the FECA program during this period.

WHY OIG CONDUCTED THE AUDIT

In response to widely publicized cases of DME fraud in federal healthcare programs, OIG conducted the audit to answer the following question:

> Did OWCP have adequate controls to ensure DME payments were proper and reasonable?

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:

http://www.oig.dol.gov/public/reports/oa/2012/03-12-002-04-431.pdf

March 2012

AUDIT OF FEDERAL EMPLOYEES' COMPENSATION ACT, DURABLE MEDICAL EQUIPMENT PAYMENTS

WHAT OIG FOUND

The OIG found OWCP has a series of controls over its DME payment administration process in order to reduce the risk of improper payments and ensure that DME costs are reasonable. OWCP utilizes a fee schedule to set maximum allowable amounts (MAA) that it will pay for specific items of DME.

However, we found weaknesses in the documentation of the provider enrollment process. Several procedures were required to be performed to verify that providers were legitimate, but documenting this process was not required. As a result, OWCP had no assurance that these procedures were being adequately performed. We did not analyze non-DME providers, but noted that OWCP requires its service provider to follow the same verification process for all medical providers.

We also found an increased risk of improper payments due to the high number of claims using a "miscellaneous" procedure code, a lack of documentation supporting a rental versus purchase analysis, and insufficient controls over the determination of price reasonableness for cases deemed catastrophic. Claims coded as DME–Miscellaneous are at risk of being improper payments because they are not subject to an MAA, and if approved by a Claims Examiner (CE) are "paid as billed." Our review of a sample of claims identified more than $68,000 in questionable payments.

WHAT OIG RECOMMENDED

We recommended that OWCP establish additional controls to document the provider enrollment process; ensure CEs analyze and document a determination of cost reasonableness before authorizing payments coded as DME-Miscellaneous, direct CEs to perform and document rental versus new purchase analysis, strengthen controls over DME bills paid for catastrophic cases, and initiate recovery of any overpayments identified as a result of the audit.

In response to the draft report, OWCP indicated the enrollment verification is already adequately documented. It agreed to provide additional guidance to claims staff to reinforce existing procedures over miscellaneous DME, reinforce procedures and develop new processes for rental versus purchase analysis, and review current controls over catastrophic cases. OWCP stated it does not have authority to recover overpayments where rentals exceed purchase prices.