



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Contract Review

OFFICE OF ACQUISITION, LOGISTICS, AND CONSTRUCTION

QTC Medical Services
Complied with Medical
Disability Examination Billing
Requirements

REVIEW

REPORT # 19-08397-99

MARCH 16, 2020



The mission of the Office of Inspector General is to serve veterans and the public by conducting effective oversight of the programs and operations of the Department of Veterans Affairs through independent audits, inspections, reviews, and investigations.

In addition to general privacy laws that govern release of medical information, disclosure of certain veteran health or other private information may be prohibited by various federal statutes including, but not limited to, 38 U.S.C. §§ 5701, 5705, and 7332, absent an exemption or other specified circumstances. As mandated by law, the OIG adheres to privacy and confidentiality laws and regulations protecting veteran health or other private information in this report.

**Report suspected wrongdoing in VA programs and operations
to the VA OIG Hotline:**

www.va.gov/oig/hotline

1-800-488-8244



Executive Summary

The VA Office of Inspector General's (OIG's) Office of Contract Review examined a contract with QTC Medical Services Inc. (QTC) for conducting Medical Disability Examinations (MDEs) in order to verify compliance with the pricing and billing provisions of its contract.

This review was conducted to follow up on a 2008 OIG audit report and on several reviews conducted by independent auditors at David-James, LLC between 2009 and 2015.¹ The 2008 OIG audit was prompted in part by concerns related to QTC's billing practices raised by Kearney & Company, independent certified public accountants, in a review done at VA's request. The OIG audit identified overbillings, most notably due to QTC billing at current Medicare rates as opposed to the contractually mandated 1998 rates, which VA contended was an oversight. Additionally, a large portion of the identified overbillings was due to QTC improperly using proprietary Medicare codes, which QTC stopped using in 2006. Some of the findings indicated that QTC had been working to resolve the overbilling. The David-James annual reviews identified additional deficiencies in subsequent QTC contracts, most notably for (1) statistical sample error extrapolation; (2) physician qualifications; and (3) National Correct Coding Initiative (NCCI) edits. VA disagreed with most of the findings regarding statistical sample error extrapolation and physician qualifications. VA agreed with most of the findings regarding NCCI edits, however the OIG review team could not determine if or how these were resolved with QTC.

This OIG review was conducted to ensure corrective measures were sustained and to follow up on recent billing practices identified by David-James. The review team focused on one of four contracts that VA awarded to QTC effective November 28, 2018, because the four contracts were identical except for geographical coverage.²

What the Review Found

The review resulted in no negative findings. The review team concluded that QTC adequately followed billing requirements for the contract and did not materially overbill VA for services rendered through February 28, 2019.³

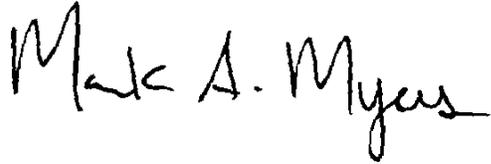
¹ VA Office of Inspector General (OIG), *Audit of QTC Medical Services, Inc.'s Settlement Offer for Overcharges under Contract V101(93)P-2009*, Report No. 07-02280-104, March 25, 2008. The David-James reviews were unpublished.

² The review focused on contract 36C10X19D0010; the other three contract numbers are 36C10X19D0002, 36C10X19D0005, and 36C10X19D0008.

³ The review found \$520 in overbillings, representing .004 percent of contract billings.

Management Comments

Despite there being no recommendations for improvement or additional action, the OIG provided this report to VA management prior to publication to allow for comments. In its response, VA management accepted the report as written and did not have any additional comments.

A handwritten signature in black ink that reads "Mark A. Myers". The signature is written in a cursive style with a large initial "M".

MARK A. MYERS
Director, Healthcare Resources Division
Office of Contract Review

Contents

Executive Summary	i
What the Review Found.....	i
Management Comments.....	ii
Abbreviations.....	iv
Introduction.....	1
Background	1
Scope and Methodology.....	3
Analysis of QTC’s Contract.....	5
Contract Structure	5
Analysis of Contract Billings.....	6
Analysis of NCCI Edits.....	6
Conclusion	8
Management Comments.....	9
Appendix A: Contract Line Item Number Descriptions.....	10
Appendix B: VA Management Comments.....	11
OIG Contact and Staff Acknowledgments	12
Report Distribution	13
VA Distribution.....	13
Non-VA Distribution	13

Abbreviations

CLIN	contract line item number
CMS	Centers for Medicare & Medicaid Services
CPT	current procedural terminology
MDE	medical disability examination
NCCI	National Correct Coding Initiative
OIG	Office of Inspector General
RFI	request for information
RFP	request for proposal
VBA	Veterans Benefits Administration



Introduction

The VA Office of Inspector General's (OIG's) Office of Contract Review examined a QTC Medical Services Inc. (QTC) contract to determine if QTC billings comply with the pricing and billing provisions of its contract.⁴ This review focused on two issues found to be of concern in previous reviews of QTC conducted by the OIG (in 2008) and by independent auditors David-James, LLC (between 2009 and 2015 annually):⁵

1. Contract overbilling
2. National Correct Coding Initiative (NCCI) edits⁶

QTC operates out of Diamond Bar, California.

Background

The Veterans' Benefits Improvements Act of 1996 authorized VA to conduct a pilot program to contract for Medical Disability Examinations (MDEs) from non-VA medical sources.⁷ Under the Act, VA awarded the first such contract (V101(93)P-1636) to QTC on February 23, 1998. VA sought competition for the next contract by issuing a request for information (RFI) on March 1, 2002. VA received two responses to the RFI. On September 6, 2002, VA issued a request for proposals (RFP). Although VA had received responses to the RFI and had advertised the RFP in FedBizOpps, a website that posts federal procurement opportunities, QTC was the sole bidder. On April 18, 2003, VA awarded another contract (V101(93)P-2099) to QTC with a contract start date of May 1, 2003. This indefinite-quantity contract provided MDEs for veterans with claims being evaluated by the Veterans Benefits Administration (VBA). Veterans received disability examinations at locations serviced by 10 VBA regional offices. Active military members were provided exams at several Benefits Delivery at Discharge sites, including Forts Benning, Stewart, and Gordon, Georgia.⁸

VBA engaged Kearney & Company (Kearney), certified public accountants and consultants, to audit QTC. Kearney reviewed QTC's billings from June 1, 2005, through May 31, 2006, because of concerns regarding the accuracy of QTC's billings. Kearney identified \$1,145,804 in

⁴ The contract reviewed was 36C10X19D0010. Except for geographic coverage area, it is identical to three other contracts: 36C10X19D0002, 36C10X19D0005, and 36C10X19D0008.

⁵ VA OIG, *Audit of QTC Medical Services, Inc.'s Settlement Offer for Overcharges under Contract V101(93)P-2009*, Report No. 07-02280-104, March 25, 2008. David-James is an independent audit firm that performed agreed-upon procedures regarding VA's contract VA798-11-D-0003 annually between 2009 and 2015.

⁶ The term NCCI edits refers to preventing certain pairs of Medicare codes from being billed together because it would result in duplicate billings.

⁷ Pub. L. No. 104-275, 110 Stat. 3322 (1996).

⁸ VA OIG, *Audit of QTC Medical Services*, Report No. 07-02280-104.

overbillings due largely to QTC's use of proprietary codes. It also identified an additional \$106,000 in NCCI errors (duplicate billings).⁹ VA shared the results of Kearney's audit with QTC, and because the problems were pervasive, asked that QTC calculate damages for the entire contract period. QTC complied and offered to repay VA \$3,103,821 for net overcharges from May 1, 2003, through January 15, 2007.¹⁰ Between March 13 and May 3, 2007, VA and QTC negotiated a modification to accept payment of the agreed-upon overcharges. During the same period, the OIG received a hotline complaint and opened an audit. The OIG audit team identified errors in the calculations of both Kearney and QTC, but most significantly identified an additional \$2,636,911 in overcharges due to QTC billing at current Medicare rates as opposed to the contractually mandated 1998 Medicare rates. VA did not concur with the OIG's additional finding because VA stated that it was an oversight that the contract did not allow billing at current Medicare rates; therefore, VA did not pursue the additional overcharges. Instead, VA issued a bill of collection to QTC on March 25, 2008, for \$3,374,838, as opposed to the \$6,011,749 recommended by the OIG.¹¹ The OIG also determined that QTC discontinued the use of proprietary codes after September 15, 2006.

After the May 2003 contract (V101(93)P-2099) ended, VA awarded QTC a new contract (VA798-11-D-0003) on November 10, 2010, with an effective date of December 31, 2010. This contract provided MDEs and ancillary services for 12 VBA regional offices in the eastern and central United States. It also provided exams for active duty military service members at bases across the United States.

VA engaged David-James to review QTC billings annually. Almost all of the overbillings identified by David-James from 2009 through 2015 fell into three categories:

1. Statistical sample error extrapolation
2. Physician qualifications
3. NCCI edits

⁹ NCCI edits are designed to prevent certain Current Procedural Terminology (CPT) codes from being billed together because one of the codes is a component of a more comprehensive code. To bill these together would amount to duplicate billing. CMS defines CPT codes as "...a uniform coding system consisting of descriptive terms and identifying codes that are used primarily to identify medical services and procedures furnished by physicians and other health care professionals" (<https://www.cms.gov/Medicare/Coding/MedHCPCSGenInfo/index.html>). These healthcare professionals use the CPT to identify services and procedures for which they bill public or private health insurance programs.

¹⁰ VA OIG, *Audit of QTC Medical Services, Inc.'s Settlement Offer for Overcharges under Contract V101(93)P-2009*, Report No. 07-02280-104.

¹¹ Components of OIG's recommended amount of \$6,011,749 are shown in VA OIG Report No 07-02280-104, page 10. The Bill of Collection totaling \$3,374,838 was determined by taking the OIG-recommended amount of \$6,011,749 and subtracting \$2,636,911 because VA did not agree with the OIG's recommendation regarding repricing of the contract to 1998 Medicare levels.

Statistical sample extrapolation errors constituted the majority of questioned costs. However, VA's Office of General Counsel ruled that extrapolation was not allowable due to the size of the sample, so VA did not pursue any of those questioned costs. Physician qualifications referred almost exclusively to one physician who ultimately was determined to be a qualified physician, leaving VA to pursue an immaterial amount of overcharges. The NCCI edits represented coding methodologies designed to prevent improper Medicare payments. For example, if current procedural terminology (CPT) Code B represented a subset of CPT Code A, these two codes should not be billed together. Only Code A would be billed, as it contains both Codes A and B. The other errors David-James identified were immaterial.

After the December 2010-enacted contract (VA798-11-D-0003) expired on June 30, 2016, VA received numerous protests when attempting to award the follow-on contract. During this time, VA issued three bridge contracts effective between July 1, 2016, and December 12, 2018.

On November 20, 2018, VA awarded four 10-year contracts to QTC, effective November 28, 2018, to provide MDEs and ancillary services throughout the United States. These contracts provide complete coverage throughout the United States by region (Northeast, Southeast, Midwest, and Pacific). The potential value of these four contracts totals \$6.7 billion. Based on the OIG's prior review and the independent reviews of the December 2010-enacted contract (VA798-11-D-0003), the OIG team selected one of the four current contracts awarded to QTC (36C10X19D0010) for a billing review.

Scope and Methodology

The OIG team reviewed the selected QTC November 2018 contract (36C10X19D0010) billings for a two-month period, January 1, 2019, through February 28, 2019, for indications of contract overbilling and issues with NCCI edits. The scope was limited to two months of billings from the one contract because, as previously mentioned, all four QTC active contracts were identical except for geographic coverage. The OIG team sampled two months of billings totaling more than \$12 million. Because of the volume, any systemic problems would be apparent in that period. The issues of contract overbillings and NCCI edits were chosen because they represented the most substantial problems in previous reviews.

The OIG team interviewed the relevant contracting officer and contracting officer's representative (COR) to determine if they had insight into practices or processes that might lead to overbilling or incorrect NCCI edits. The OIG team then obtained billing data for January 1, 2019, through February 28, 2019, from the COR. The data were used to calculate any potential overbillings. For Contract Line Item Numbers (CLIN) other than CLIN 17, the OIG team compared the billed price to the contract price and then multiplied the difference by the billed

number of units.¹² For CLIN 17, which was based on 100 percent of the Medicare rate, overbillings were determined by comparing the billed Medicare rate with the OIG team's calculation of the Medicare rate (based on the Centers for Medicare & Medicaid Services [CMS] formula) and multiplying the difference by the number of units billed.¹³

In analyzing NCCI edits, the most common CPT pairs that resulted in errors in prior reviews were applied to QTC's billings from January 1, 2019, through February 28, 2019, to determine if these pairs were improperly billed together. In addition, the OIG team reviewed the top billing (by dollar) CPT codes in the sampled billing data to determine if any of these were billed in combinations that would have constituted a duplicate billing.

¹² A contract line item number (CLIN) is used to specify the commodities being acquired for traceable accounting classification on a federal government contract. As shown in Appendix A, the majority of CLINs were for various medical examinations.

¹³ CLIN 17 was for Ancillary Diagnostic Tests, which were the procedures, tests, lab work, and x-rays that accompanied medical examinations.

Analysis of QTC's Contract

Contract Structure

QTC's price schedule for the November 2018 contract (36C10X19D0010) contains 23 CLINs (see Appendix A). The first 16 CLINs refer to physician expenses for various physical examinations such as Respiratory, Cardiovascular, and Digestive Systems. Moreover, each of the first 16 CLINs and sub-CLINs has fixed pricing, and the base year is priced the same as each of the option years.¹⁴

CLIN 17 is for Ancillary Diagnostics, including procedures, tests, laboratory work, and x-rays to be charged at 100 percent of the current National Medicare baseline using the applicable CPT code to determine the "unit price" at the time of service performance. The current National Medicare baseline is defined in the contract as "the National Medicare baseline at the time the test, lab, procedure, or x-ray was performed."¹⁵ The National Medicare baseline is the uniform relative value of the service for physician work.

The following formula is used to determine the billable amount:

$$\text{Reimbursement Rate} = (\text{Work Relative Value Unit (RVU)}^{16} + \text{Practice RVU}^{17}) \times \text{Conversion Factor}^{18}$$

$$\text{Billable Amount} = \text{Reimbursement Rate} \times \text{Proposed Percentage in Schedule of Prices}$$

The procedures and tests from CLIN 17 relate to the physical examinations detailed in the first 16 CLINs. This structure was a change from QTC's prior contract from 2010 (VA798-11-D-0003), in which procedures, tests, laboratory work, x-rays, and photographs of scars and skin conditions were a sub-CLIN of each of the examination CLINs. Procedures, tests, laboratory work, and x-rays were each charged at 100 percent of the Medicare rate, and photographs were charged at a flat rate. Although both the prior contract and current contract call for procedures,

¹⁴ For example, CLIN 0007 is for Cardiovascular System. It contains three sub-CLINs, 0007A, 0007B, and 0007C for Heart Conditions, Artery/Vein Conditions, and Hypertension, respectively. CLIN 0007 is not priced, but the sub-CLINs are each separately priced. These prices represent physician expenses.

¹⁵ QTC's contract 36C10X10D0010, page 21.

¹⁶ Work RVU reflects the relative time and intensity associated with furnishing a Medicare Physician Fee Schedule Service. Centers for Medicare & Medicaid Services, "MLN Fact Sheet: Medicare Physician Fee Schedule," ICN 006814, February 2017.

¹⁷ Practice RVU reflects the costs of maintaining a practice (such as renting office space, buying supplies and equipment, and staff costs). Centers for Medicare & Medicaid Services, "MLN Fact Sheet: Medicare Physician Fee Schedule," ICN 006814, February 2017.

¹⁸ Conversion Factor is an amount that, when multiplied by the geographically adjusted RVUs, is used to determine the reimbursement rate. The Malpractice RVU or geographical adjustments were not used in QTC's contract. Centers for Medicare & Medicaid Services, "MLN Fact Sheet: Medicare Physician Fee Schedule," ICN 006814, February 2017.

tests, laboratory work, and x-rays to be paid at 100 percent of the current National Medicare baseline, the prior contract included a 2-percent increase for each option year for physician services and photographs. In contrast, the current contract (36C10X19D0010) contains no price increase for physician services for the option years. None of the remaining six CLINs (18–23) are for in-person examinations. Note that CLIN 19 (Record Review Medical File & Medical Opinions) accounts for more than half of all billings for January and February 2019, as shown in Table 1.

**Table 1. CLIN 19 Billings as a Percentage of Total Billings
January 1, 2019, through February 28, 2019**

Period	CLIN 19	Total Billings	Percentage
Jan. 2019	\$2,788,144.47	\$5,474,623.52	50.93%
Feb. 2019	\$3,661,368.35	\$7,069,343.67	51.79%
Total	\$6,449,512.82	\$12,543,967.19	51.42%

Source: OIG analysis of CLIN 19 billing

Analysis of Contract Billings

The OIG team divided its review of billings for January and February 2019 into two categories:

- CLIN 17 billings (billed at 100 percent of the current National Medicare rate)
- Non-CLIN 17 billings (billed at their stated contract amount)

For CLIN 17 billings, the OIG team did not identify any overcharges. The OIG team did find rounding differences between its computed amount and the amount QTC charged under some CPT codes. In several instances, QTC charged for a CPT code when the Medicare-computed rate was \$0 for that code. The OIG team was unable to confirm whether there was agreed-upon pricing for these CPT codes. The amount of money was immaterial, so the matter was not pursued further.

For non-CLIN 17 billings, the OIG team identified \$530.22 in overcharges, or the number of billed units multiplied by the difference between the billing price and the contract price for the applicable CLIN. These overcharges were less than one ten-thousandth of 1 percent of total non-CLIN 17 billings (\$11,972,503.87). For this reason, overcharges for non-CLIN 17 billings were not pursued further.

Analysis of NCCI Edits

The CMS developed the NCCI to promote national correct coding methodologies and to control improper coding leading to inappropriate payment of Medicare part B claims. The CMS developed its coding policies based on conventions defined in the American Medical Association’s CPT Manual, national and local policies and edits, coding guidelines developed by

national societies, analyses of standard medical and surgical practices, and a review of current coding practices.¹⁹

The purpose of the NCCI Procedure-to-Procedure edits is to prevent improper payment when incorrect code combinations are reported. The NCCI contains one table of edits for physicians/practitioners and one for outpatient hospital services. The Column One/Column Two Correct Coding Edits table and the Mutually Exclusive Edits (MUE) table have been combined into one table and include Procedure-to-Procedure code pairs that should not be reported together for a number of reasons that are explained in the Coding Policy Manual. The purpose of the NCCI MUE program is to prevent improper payments when services are reported with incorrect units of service.²⁰

Previous reviews conducted by David-James identified significant NCCI errors resulting in duplicate billings. However, the amount of errors identified has diminished significantly over time, as shown in Table 2.

Table 2. David-James Questioned Costs Due to NCCI Edits

Contract number	Review period	Questioned amount
VA798-11-D-0003	May 1, 2009, to April 30, 2010	\$142,710.26
VA798-11-D-0003	May 1, 2010, to April 30, 2011	\$117,721.45
VA798-11-D-0003	May 1, 2011, to April 30, 2012	\$262,455.00
VA798-11-D-0003	March 1, 2012, to April 30, 2013*	\$7,087.00
VA119A-16-D-0038	April 1, 2016, to March 31, 2018*	\$1,079.00
VA119A-16-D-0059	July 1, 2016, to	\$0.00

¹⁹ “National Correct Coding Initiative Edits,” CMS.gov, last modified October 31, 2019, accessed August 12, 2019, <https://www.cms.gov/Medicare/Coding/NationalCorrectCodInitEd/index.html>.

²⁰ “National Correct Coding Initiative Edits,” CMS.gov, accessed August 12, 2019.

Contract number	Review period	Questioned amount
	March 31, 2017	
VA791-P-0146	October 18, 2016, to January 12, 2017	\$990.00
VA119A-17-D-0011	January 13, 2017, to December 12, 2017	\$535.00
36C10X18D0013	December 13, 2017, to March 31, 2018	\$458.00

Source: *OIG analysis of NCCI edits*

**The contracting officer provided the David-James reviews to the OIG team, but did not include any reviews for 2014 or 2015.*

+Contracts VA119A-16-D-0038 and VA119A-16-D-0059 cover different geographic regions so there were overlapping time periods.

The OIG team examined whether the CPT codes that comprised the majority of questioned costs from the May 1, 2011–April 30, 2012 review were in the January and February 2019 billing data, thus creating a potential NCCI edit that could result in a duplicate billing. The OIG team found a negligible number of billings for the CPT codes that comprised the majority of billings for 2011 and 2012; they did not create a potential for duplicate billings.

The OIG team also considered whether the top billing CPT codes by dollar amount from January and February 2019 contained pairs of unallowable CPT codes that could result in duplicate billings. This was accomplished by comparing the top billing CPT codes to CMS’s list of CPT codes that can create duplicate billings. The OIG team determined that none of the top 80 percent billed CPT codes were on the CMS list of CPT codes that can create duplicate billings. The OIG team did not pursue the NCCI edit issue further because, even if the other CPT codes billed in January and February 2019 created duplicate billings, the amount would have been immaterial.

Based on its findings, the OIG team concluded that there were no indications of potential duplicate billings.

Conclusion

The OIG did not find indicators of material overbilling or duplicate billing in the two months of sampled billing data. Therefore, the OIG concluded that QTC is accurately billing VA under its current contract (36C10X19D0010). VA’s annual review of QTC compliance with the prices and

billing provisions appears to have had a positive effect on the accuracy of QTC's billing and has largely eliminated overbillings under the MDE contracts.

Management Comments

The OIG provided this report to VA management prior to publication to allow for comments. In its response, VA management reviewed and accepted the report as written (see Appendix B).

Appendix A: Contract Line Item Number Descriptions

CLIN #	Description
0001	General Medical Examination
0002	Musculoskeletal System
0003	Organs of Special Sense / Eye
0004	Impairment of Auditory Acuity / Ear and Other Sense Organs
0005	Infectious Diseases, Immune Disorders, and Nutritional Deficiencies
0006	Respiratory System
0007	Cardiovascular System
0008	Digestive System
0009	Genitourinary System
0010	Gynecological Conditions and Disorders of the Breast
0011	Hemic and Lymphatic Systems
0012	Skin (Derm)
0013	Endocrine System
0014	Neurological Conditions and Convulsive Disorders
0015	Mental Disorders
0016	Dental and Oral Conditions
0017	Ancillary Diagnosis
0018	Camp Lejeune Contaminated Water Subject Matter Expert Opinion
0019	Record Review Medical File & Medical Opinions
0020	No Shows
0021	Deliverables
0022	Other
0023	ACE Exam Discount Percentage ²¹

Source: QTC's Contract 36C10X19D0010

²¹ ACE – Acceptable Clinical Evidence. An examination based on medical records and history without an in-person clinical examination.

Appendix B: VA Management Comments

Department of Veterans Affairs Memorandum

Date: February 7, 2020

To: Principal Executive Director, Office of Acquisition, Logistics, and Construction and Chief Acquisition Officer

Subj: Draft Report, QTC Medical Services Complied with Medical Disability Examination Billing Requirements (VIEWS 02420231)

To: Director, Healthcare Resources Division, Office of Contract Review, Office of Inspector General (55)

1. The Office of Acquisition, Logistics, and Construction (OALC) reviewed and accepts the subject report as written.
2. In the report, "the OIG Office of Contract Review examined a contract with QTC Medical Services Inc. for conducting Medical Disability Examinations in order to verify compliance with the pricing and billing provisions of its contract."
3. OALC appreciates this follow-up review. It demonstrates that our corrective actions were successful and fully integrated into VA practices. VA's acquisition community benefits significantly from your assessments and analyses; we look forward to further collaboration with your office as we modernize systems and processes to enhance the quality of services Veterans deserve.

(Original signed by:)

Karen L. Brazell

OIG Contact and Staff Acknowledgments

Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
----------------	---

Review Team	Alan Spitzer Alyssa S. Witten
--------------------	----------------------------------

Other Contributors	Martha Plotkin Rasmi Simhan
---------------------------	--------------------------------

Report Distribution

VA Distribution

Office of the Secretary
Veterans Benefits Administration
Veterans Health Administration
National Cemetery Administration
Assistant Secretaries
Office of General Counsel
Office of Acquisition, Logistics, and Construction
Board of Veterans' Appeals

Non-VA Distribution

House Committee on Veterans' Affairs
House Appropriations Subcommittee on Military Construction, Veterans Affairs,
and Related Agencies
House Committee on Oversight and Reform
Senate Committee on Veterans' Affairs
Senate Appropriations Subcommittee on Military Construction, Veterans Affairs,
and Related Agencies
Senate Committee on Homeland Security and Governmental Affairs
National Veterans Service Organizations
Government Accountability Office
Office of Management and Budget

OIG reports are available at www.va.gov/oig.