



## State of New Jersey

**CHRIS CHRISTIE**  
*Governor*

OFFICE OF THE STATE COMPTROLLER  
MEDICAID FRAUD DIVISION  
P.O. BOX 025  
TRENTON, NJ 08625-0025  
TELEPHONE 609-826-4700

**A. MATTHEW BOXER**  
*State Comptroller*

**KIM GUADAGNO**  
*Lt. Governor*

**MARK ANDERSON**  
*Director*

**FINAL AUDIT REPORT**  
**SANFORD HEIGHTS HEARING CENTER INC.**  
**PROVIDER ID: [REDACTED]**  
**September 28, 2011**

### **Background**

Sanford Heights Hearing Center (Sanford) is located in Maplewood, New Jersey. The company enrolled in the Medicaid program effective December 16, 1992. Claims for hearing aids and hearing aid repairs were selected for review based on a referral from the Medicaid Fraud Division Data Mining/SURS Unit (DM/SURS).

### **Objective**

The Medicaid program pays for hearing aids in accordance with N.J.A.C. 10:64. The objective of this audit is to examine claims and claim reporting procedures for hearing aids for Sanford.

### **Scope**

The scope of this audit was limited to a review on a sample basis, of all paid claims (358 claims, totaling \$42,356) for hearing aids and hearing aid repairs for the period beginning January 1, 2008 through October 28, 2010. Our desk audit sample was comprised of 15 Medicaid recipients with claim payments totaling \$22,615. The audit was conducted under the authority of the *Medicaid Program Integrity and Protection Act* (N.J.S.A. § 30:4D-53 *et seq.*) and N.J.S.A. § 52:15C-23.

### **Desk Review Focus:**

The desk review focused on transactions with HCPC V5014 – Hearing Aid Repair, Laboratory Invoice Cost and HCPC V5014 52 – Hearing Aid Repair, Dispenser’s Service Fee. When a hearing aid is sent to a manufacturer for repair, the provider bills Medicaid HCPC V5014 for the invoice cost, in addition, the provider is generally reimbursed up to 50% of the aforementioned invoice cost as a service fee which is billed to HCPC V5014 52. (Manufacturer’s Repair)

Also, the desk review focused on a second use of HCPC V5014 52 where hearing aid providers use this code to bill Medicaid separately for minor in-office repairs. (See also, N.J.A.C. §10:64 - 3.3, 3.4; and N.J.A.C. §10:64 -1.5 (d) 2.)

Preliminary Finding – Desk Review

The desk review of the 15 recipients in our sample, noted that Medicaid reimbursements to Sanford for ‘minor’ in-office repairs seemed excessive, averaging \$182, \$191 and \$193 for the years 2008, 2009 and 2010, respectively compared to Medicaid reimbursements of \$126, \$89 and \$86 for the same periods for ‘Manufacturer’s Repair’.

**Scope Modification**

The preliminary desk review findings above warranted a modification of the scope of our audit and a shift in focus to all of Sanford’s HCPC V5014 52 – minor in office repair claims for the audit period.

**AUDIT FINDINGS**

**1. Excessive Billing for Minor in Office Hearing Aid Repairs - HCPC V5014 52**

Our review of one hundred thirty six paid HCPC V5014 52 - minor in office repair claims totaling \$23,343 for Sanford, revealed that the average amount paid per claim exceeded 50% of the average cost of new hearing aids purchased by Sanford during the audit period. *Per N.J.A.C §10:64 – 2.5 Policies on replacement of a hearing aid*

(a) The original hearing aid shall be replaced by a provider only under the following conditions:

1. The aid is lost or stolen or broken.....
2. **The aid is malfunctioning and the cost of repairing the aid is 50 percent or more of its replacement cost to the Medicaid program.**

MFD determined that Medicaid overpaid a total of \$7,445 for claims for HCPC V5014 52 - minor in office repairs, which is used for minor repairs when hearing aids are malfunctioning.

**Recommendation:**

We recommend that Sanford reimburse the Medicaid program a total of \$7,445 for excessive billing for minor in office repairs as the provider’s charges exceeded 50% of the purchase price of new hearing aids purchased by Sanford during the period audited.

**Regulatory Amendment**

In addition to our recommendation to Sanford, we recommend that regulations for HCPC V5014 52 - minor in office repairs, be amended to include a maximum allowable amount. This would strengthen internal controls over Medicaid reimbursements, reduce misinterpretation of the hearing aid regulations and deter excessive billings.

**Response:**

The provider disagreed with the audit finding noted in the report. The provider agreed that revisions to the regulation are warranted. In their response, the provider noted among other things that the error in this case lies not with Sanford Heights Hearing Centers’ coding and billing procedures, but with the ambiguous language of the N.J.A.C. policies and code narratives

as they relate to hearing aid services. The provider highlighted the value and cost of their service to Medicaid recipients; however, the provider did not acknowledge that Medicaid payments for claims for minor in office repairs exceeded 50% of the purchase price of a new hearing aid.