

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**JEFFERSON HOSPITAL
INCORRECTLY BILLED MEDICARE
INPATIENT CLAIMS WITH
KWASHIORKOR**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Stephen Virbitsky
Regional Inspector General
for Audit Services**

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A-03-15-00005

Office of Inspector General

<http://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

Jefferson Hospital incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of over \$185,000 over 4 years.

INTRODUCTION

WHY WE DID THIS REVIEW

Kwashiorkor is a form of severe protein malnutrition. It generally affects children living in tropical and subtropical parts of the world during periods of famine or insufficient food supply. Cases in the United States are rare. The Medicare program provides health insurance coverage primarily to people aged 65 or older; however, for calendar years (CYs) 2010 and 2011, Medicare paid hospitals \$711 million for claims that included a diagnosis code for Kwashiorkor. Therefore, we are conducting a series of reviews of hospitals with claims that include this diagnosis code.

OBJECTIVE

Our objective was to determine whether Jefferson Hospital (the Hospital) complied with Medicare billing requirements for Kwashiorkor.

BACKGROUND

The Medicare Program

Medicare Part A provides inpatient hospital insurance benefits and coverage of extended care services for patients after hospital discharge. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program. CMS contracts with Medicare contractors to, among other things, process and pay claims submitted by hospitals.

Hospital Inpatient Prospective Payment System

CMS pays inpatient hospital costs at predetermined rates for patient discharges under the inpatient prospective payment system. The rates vary according to the diagnosis-related group (DRG) to which a beneficiary's stay is assigned and the severity level of the patient's diagnosis. The DRG payment is, with certain exceptions, intended to be payment in full to the hospital for all inpatient costs associated with the beneficiary's stay. The DRG and severity level are determined according to diagnoses codes established by the *International Classification of Diseases, Ninth Revision, Clinical Modification* (coding guidelines). The coding guidelines establish diagnosis code 260 for Kwashiorkor. Because Kwashiorkor is considered a high-severity diagnosis, using diagnosis code 260 may increase the DRG payment.

Jefferson Hospital

The Hospital, which is part of the Allegheny Healthcare System, is a 360-bed not-for-profit hospital located in Jefferson City, Pennsylvania. The Hospital received \$1,351,964 in Medicare

payments for inpatient hospital claims that included diagnosis code 260 for Kwashiorkor during our audit period (CYs 2010 through 2013) based on CMS's National Claims History data.

HOW WE CONDUCTED THIS REVIEW

Our audit covered \$460,126 of the \$1,351,964 in Medicare payments to the Hospital for 46 of the 92 inpatient hospital claims that contained diagnosis code 260 for Kwashiorkor. We did not review the remaining claims because the use of diagnosis code 260 did not change the Medicare payment. We also did not review managed care claims or claims that were under separate review. We evaluated compliance with selected Medicare billing requirements but did not use medical review to determine whether the services were medically necessary. This report does not represent an overall assessment of all claims submitted by the Hospital for Medicare reimbursement.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

See Appendix A for the details of our scope and methodology.

FINDING

The Hospital did not comply with Medicare requirements for billing Kwashiorkor on any of the 46 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition or no malnutrition code at all. For one of the inpatient claims, substituting a more appropriate diagnosis code produced no change in the DRG payment amount. However, for the remaining 45 inpatient claims, the errors resulted in overpayments of \$185,488. Hospital officials attributed these errors to a misinterpretation of the coding guidelines.

FEDERAL REQUIREMENTS AND GUIDANCE

Medicare payments may not be made for items and services that “are not reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member” (The Social Security Act, § 1862(a)(1)(A)). Federal regulations state that the provider must furnish to the Medicare contractor sufficient information to determine whether payment is due and the amount of the payment (42 CFR § 424.5(a)(6)).

In addition, the *Medicare Claims Processing Manual* requires providers to complete claims accurately so that Medicare contractors may process them correctly and promptly (Pub. No. 100-04, chapter 1, § 80.3.2.2).

INCORRECT USE OF THE DIAGNOSIS CODE FOR KWASHIORKOR

The Hospital did not comply with Medicare requirements for billing Kwashiorkor on any of the 46 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition or no malnutrition code at all. For one of the inpatient claims, substituting a more appropriate diagnosis code produced no change in the DRG payment amount. However, for the remaining 45 inpatient claims, the errors resulted in overpayments of \$185,488. Hospital officials attributed these errors to a misinterpretation of the coding guidelines.

RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare program \$185,488 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

JEFFERSON HOSPITAL COMMENTS

In written comments, the Hospital concurred with our findings and recommendations. The Hospital also said that it had completed a comprehensive claims review and medical record review, and would refer five of the claims to its Medicare Administrative Contractor to correct other errors.

The Hospital's comments are included as Appendix B.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered \$460,126 of the \$1,351,964 in Medicare payments to the Hospital for 46 of the 92 inpatient hospital that contained diagnosis code 260 for Kwashiorkor during the period January 1, 2010, through December 31, 2013. We reviewed only claims for which removing the diagnosis code 260 changed the Medicare payment. We did not review managed care claims or claims that were under separate review.

We limited our review of the Hospital's internal controls to those applicable to the coding of inpatient hospital claims because our objective did not require an understanding of all internal controls over the submission and processing of claims. We evaluated compliance with selected Medicare billing requirements, but did not use medical review to determine whether the services were medically necessary. We established reasonable assurance of the authenticity and accuracy of the data obtained from the National Claims History file, but we did not assess the completeness of the file.

This report does not represent an overall assessment of all claims submitted by the Hospital for Medicare reimbursement.

We conducted our review from March through June 2015.

METHODOLOGY

To accomplish our objective, we:

- reviewed Federal laws, regulations, and guidance;
- extracted the Hospital's inpatient paid claims data from CMS's National Claims History file for the audit period;
- selected all paid claims that included the diagnosis code for Kwashiorkor (260);
- removed all managed care claims and any claims that were previously reviewed by a Recovery Audit Contractor;
- removed all claims for which removing the diagnosis code for Kwashiorkor did not change the Medicare payment;
- reviewed available data from CMS's Common Working File for the selected claims to determine whether the claims had been cancelled or adjusted;
- repriced each selected claim in order to verify that the original payment by the CMS contractor was made correctly;

- requested that the Hospital conduct its own review of the 46 claims to determine whether the diagnosis code for Kwashiorkor was used correctly;
- reviewed the medical record documentation that the Hospital provided to support other malnutrition diagnoses;
- discussed the incorrectly coded claims with Hospital officials to determine the underlying causes of noncompliance with Medicare requirements;
- substituted a corrected diagnosis code based on the documentation provided and calculated the correct payments for those claims requiring adjustments; and
- discussed the results of our review with Hospital officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: JEFFERSON HOSPITAL COMMENTS

Allegheny Health Network



Jefferson
Hospital

Jefferson Hospital

565 Coal Valley Road
Jefferson Hills, PA 15025
Tel 412.469.5000

June 23, 2015

Report Number: A-03-15-00005

Mr. Michael Lieberman, Auditor
Office of Audit Services, Region III
Public Ledger Building, Suite 316
150 S. Independence Mall West
Philadelphia, PA 19106

Dear Mr. Lieberman:

This letter is in response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG) audit of forty-six (46) claims billed to Medicare with diagnosis code 260 (Kwashiorkor) during calendar years 2009 through 2010. Upon receipt of the letter, Jefferson Hospital completed a comprehensive claims and medical record review.

Our response and subsequent communications resulted in acceptance of the OIG's findings, including the referral of five (5) cases to our Medicare Administrative Contractor (MAC), totaling \$185,488.45.

Jefferson Hospital attributes the error in this matter to a misinterpretation of the coding guidelines and firmly believes that good faith efforts were made to code appropriately. Upon further clarification, Jefferson Hospital implemented a corrective action plan to ensure compliance with Medicare's billing requirements. Corrective actions resulted in claims no longer being submitted with this diagnosis code.

We will work directly with our MAC to obtain a final determination on the five cases identified as out of scope by the OIG and refund the total overpayment due Medicare.

In conclusion, we concur with the OIG's final determinations and appreciate the opportunity afforded us to respond to the report. Jefferson Hospital remains committed to ongoing compliance with all applicable laws and regulations and would be happy to answer any other questions you might have. Please don't hesitate to contact me directly at 412-469-5916.

Sincerely,

/Tina Neil, RN, BSN, MBA, CCM/

Compliance Liaison
Jefferson Hospital
Allegheny Health Network