

Dermatology Coding Alert

Compliance: MACs to Start Eyeing Your POS Line Items

Place of service errors cost CMS over \$33 million.

The OIG's 2015 Work Plan indicated that the agency would be taking a close look at place of service (POS) coding this year—and it looks like the feds are wasting no time. On May 8, the OIG issued a new audit report solidifying the fact that POS errors are costing the government millions of dollars each year.

In its latest audit, the OIG found that MACs overpaid physicians to the tune of \$33.4 million for incorrectly coded services that took place between Jan. 2010 and Sept. 2012. "Physicians performed these services in facility locations, but physicians incorrectly coded the services as performed in non-facility locations," the agency says in its report, "Incorrect Place of Service Claims Resulted in Potential Medicare Overpayments Costing Millions."

Office-Based Claims Pay More

The highest number of errors occurred for procedures performed in ASCs, followed by services administered in hospitals. And the OIG pointed its finger at medical offices for not knowing how to code properly, as well as at MACs for not catching the mistakes. "We attribute the overpayments to internal control weaknesses at the physician billing level and to insufficient post-payment reviews at the Medicare contractor level to identify potential place-of-service billing errors," the report said.

Because non-facility fees are higher to compensate for staff and practice overhead, you are typically collecting more when you use an outpatient POS code such as 11 (Office) than you do when you report an inpatient POS code like 21 (Inpatient Hospital). Therefore, your MAC is likely overpaying you if you erroneously say you're performing a service in the office when in actuality the service takes place in the hospital or other inpatient location.

For instance: One MAC paid a doctor \$10,664 for an angioplasty that had POS 11 on the claim. However, when the OIG performed its audit, the agency found that the doctor performed the procedure in a hospital outpatient location—which should have paid just \$613.00. "Therefore, Medicare overpaid the physician \$10,051," the report said.

How You Can Fix This Problem

Although the OIG found that MACs wasted a lot of money due to POS errors, the agency didn't necessarily think that doctors made the mistakes to knowingly defraud the government. Instead, the OIG pointed to the following common errors, which you should work to avoid so your MAC doesn't come calling you for refunds:

- Billing personnel were confused about the definition of "physician's office" versus other non-facility locations, "or were simply following established practices in applying the non-facility codes," the report said. Therefore, if you're being asked to report POS 11 when you know the doctor performed a service in a location other than your office, speak up. It's possible that your practice has just always done it that way and it's up to you to correct the issue.
- Some billers didn't know that using the wrong POS could lead to higher payments, so they didn't spend much time deciding which POS code to use. You can avoid this problem by educating your staff on the differences between the POS codes.
- Data entry errors and software system problems were the cause of some of the issues. This problem is easier to stem, since it isn't driven by a lack of knowledge on the topic.

The result of the OIG's discovery means that you could be facing further scrutiny going forward. In addition to

encouraging MACs to recapture the money that they overpaid, the OIG has advised CMS to use data-matching software to identify common services that are performed in facilities and non-facilities, and then use that information to identify services "at a high risk for POS miscoding." If you make one of the common POS errors, the MAC would recover the payments quickly.

Resource: To read the OIG's entire report, visit <http://oig.hhs.gov/oas/reports/region1/11300506.pdf>

Use This Quick Guide to Pinpoint POS Codes

If you think you might be at risk of making place of service (POS) errors like the OIG found in its recent audit, keep the following list close at hand so you know exactly which codes apply to each location.

- 11 (Office) □ Location, other than a hospital, skilled nursing facility (SNF), military treatment facility, community health center, state or local public health clinic, or intermediate care facility (ICF), where the health professional routinely provides health examinations, diagnosis and treatment of illness or injury on an ambulatory basis. Fair market value for the office must be paid for this office to qualify for an office and POS 11.
- 21 (Inpatient hospital) □ A facility, other than psychiatric, that primarily provides diagnostic, therapeutic (both surgical and nonsurgical) and rehabilitation services by, or under, the supervision of physicians to patients admitted for a variety of medical conditions.
- 22 (Outpatient hospital) □ A portion of a hospital that provides diagnostic, therapeutic (surgical and nonsurgical) and rehabilitation services to sick or injured persons who do not require hospitalization or institutionalization.
- 23 (Emergency room □ hospital) □ A portion of a hospital where emergency diagnosis and treatment of illness or injury is provided.
- 24 (Ambulatory surgical centers) □ A freestanding facility, other than a physician's office, where surgical and diagnostic services are provided on an ambulatory basis.
- 31 (Skilled nursing facility) □ A facility that primarily provides inpatient skilled nursing care and related services to patients who require medical, nursing or rehabilitative services but does not provide the care level or treatment available in a hospital.
- 32 (Nursing facility) □ A facility that primarily provides to residents skilled nursing care and related services for the rehabilitation of injured, disabled, or sick persons, or, on a regular basis, health-related care services above the level of custodial care to other than mentally retarded individuals.
- 33 (Custodial care facility) □ A facility that provides room, board and other personal assistance services, generally on a long-term basis, and does not include a medical component.