Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

METHODIST 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-03-14-00005

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.

Methodist Hospital incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of $440,000 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 Methodist 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.

Methodist Hospital

The Hospital, which is part of the Methodist Healthcare System, is a 1,585-bed acute-care hospital located in San Antonio, Texas. The Hospital received $9,466,320 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 $1,448,145 of the $9,466,320 in Medicare payments to the Hospital for 124 of the 449 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 124 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used either a code for another form of malnutrition or no malnutrition code at all. For 34 of the incorrectly billed inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 90 inpatient claims, the errors resulted in overpayments of $440,496. Hospital officials attributed these errors to a lack of clarity in the coding guidelines and issues with the medical coding software program used to code the diagnoses.

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 (the Act), § 1862(a)(1)(A)). In addition, the Act precludes payment to any provider of services or other person without information necessary to determine the amount due the provider (§ 1833(e)).

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 billing requirements for Kwashiorkor for any of the 124 claims that we reviewed, resulting in overpayments of $440,496. The coding guidelines establish diagnosis code 260 for Kwashiorkor. For 34 of the inpatient claims, replacing diagnosis code 260 with a more appropriate diagnosis code resulted in no change in the DRG payment. However, for the remaining 90 inpatient claims, the errors resulted in overpayments of $440,496. Hospital officials attributed these errors to a lack of clarity in the coding guidelines and issues with the medical coding software program used to code the diagnoses.

RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare program $440,496 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

METHODIST HOSPITAL COMMENTS

In written comments, the Hospital concurred with our finding that all 124 claims that we reviewed were incorrectly billed with a diagnosis code for Kwashiorkor and provided documentation to show that correcting the diagnosis code for 34 claims did not change the payment, which we reflected in our report. The Hospital described the action it will take to refund the overpayments[1] and said that the coding software had been updated and coders and physicians have been trained regarding the appropriate code assignments for malnutrition.

The Hospital's comments are included as Appendix B.

[1] During its analysis of claims with the code for Kwashiorkor, the Hospital identified other errors totaling $4,084 and said that it would repay this amount as well. These errors were not within the scope of our review; therefore, we have not included them in our report.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered $1,448,145 in Medicare payments to the Hospital for 124 inpatient claims that contained diagnosis code 260 for Kwashiorkor during the period January 1, 2010, through December 31, 2013. We did not review claims for which the use of diagnosis code 260 did not change the Medicare payment, 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 April through September 2014.

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 124 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;

- 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: METHODIST HOSPITAL COMMENTS

METHODIST HOSPITAL

A member of the Methodist Healthcare System

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"Serving Humanity to Honor God"

September 19, 2014

Mr. Stephen Virbitsky
Regional Inspector General for Audit Services
U.S. Department of Health and Human Services
Office of Inspector General, Office of Audit Services, Region III
150 S. Independence Mall West
Philadelphia, PA 19106

Re: Report Number A-03-14-00005

Dear Mr. Virbitsky:

This document is in response to your June 30, 2014, letter and subsequent correspondence, which permitted an extension until August 29th, 2014 for Methodist Hospital ("Methodist") to respond to the Office of Inspector General's (OIG) review of certain claims with diagnosis code 260 (Kwashiorkor).

The OIG's review identified 124 claims between the years of 2010-2013 that contained a code for Kwashiorkor (code 260) and, allegedly, for which the diagnosis code impacted Methodist's DRG payment.

Methodist conducted a coding validation review, and in some instances a clinical review, of the medical record documentation for the 124 identified claims. Based upon this review, Methodist determined that the Kwashiorkor diagnosis was not properly recorded on the claims. However, with regard to 34 claims, when they were receded based on the medical record documentation supporting newly assigned codes, there was no change in Methodist's DRG payment. With regard to the remaining 90 claims, correcting the diagnosis resulted in an estimated overpayment of $440,496[1].

For the receded 90 claims, Methodist will begin processing the necessary adjustments through our routine processing procedures with our Medicare Administrative Contractor.

[1] The scope of the OIG claims review focused on the analysis of ICD-9-CM diagnosis code 260 only. Methodist's coding review included DRG validation. DRG review outcome differences resulted for 4 claims, with an estimated overpayment amount difference of $4,084. Methodist will be repaying the additional $4,084 with a total estimated overpayment amount of $444,580.

As requested, if our internal review determined that the patient had Kwashiorkor or a diagnosis of mild, moderate or severe malnutrition was supported, the medical record documentation, including the dietician and/or nutritionist notes or evaluation *forms,* has been submitted to the OIG via the HHS/OIG Delivery Server.

The OIG asked for an explanation of any errors identified, if any. Methodist notes that the overwhelming majority of erroneous claims were from calendar year 2010. At that time, it was the case that the ICD-9 code book indexing entry for coding "Malnutrition, Protein," and corresponding coding logic within the encoder software product, was very confusing and ill-defined, which resulted in the code assignment of 260 (Kwashiorkor). Moreover, we also note that a majority of claims with the erroneous diagnosis of Kwashiorkor appear to be based on a misunderstanding by just a few physicians.

The following actions have been taken:

- A pop up message was added to the encoder in 2010 to alert coders of the requirements to report Kwashiorkor.
- The indexing in the code book, and the corresponding encoder logic, were updated in 2011.
- Mandatory coder education was provided to coders in April and June 2011 related to appropriate code assignment for Kwashiorkor.
- As the reporting of Kwashiorkor was concentrated among a few physicians, physician directed education has been provided. (Training was on or about August 27, 2014.)
- As an additional internal control, beginning in 2013, claims with a diagnosis code of ICD-9-CM 260, Kwashiorkor, are subject to a prebill coding validation review with necessary corrections made before the claims are submitted for payment.

Methodist is committed to compliance with Federal and State laws and regulations. Should you have any questions as you review our response and the submitted medical record documentation, please contact me at 210 575-4775.

Sincerely,

/Gay Nord/

Chief Executive Officer