Department of Health and Human Services
Office of Inspector General
Office of Audit Services

November 2024 | A-06-22-04002

Texas Generally Claimed Medicaid Reimbursement for Fee-for-Service Inpatient Hospital Claims With Malnutrition Diagnosis Codes in Accordance with Federal and State Requirements

REPORT HIGHLIGHTS

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Texas Generally Claimed Medicaid Reimbursement for Fee-for-Service Inpatient Hospital Claims With Malnutrition Diagnosis Codes in Accordance With Federal and State Requirements

Why OIG Did This Audit

- A previous OIG audit found that hospitals nationwide had incorrectly billed the Medicare program by using severe malnutrition diagnosis codes when they should have used codes for other forms of malnutrition or used no malnutrition diagnosis code at all.
- Incorrectly using malnutrition diagnosis codes can result in a higher payment for the claim.
- This audit assessed Medicaid fee-for-service (FFS) inpatient hospital claims with malnutrition diagnosis codes to determine whether Texas claimed reimbursement in accordance with Federal and State requirements.

What OIG Found

Texas claimed reimbursement in accordance with Federal and State requirements for 88 of 100 sampled FFS inpatient hospital claims with malnutrition diagnosis codes. However, the remaining 12 sampled claims did not comply with Federal and State requirements.

- For 10 sampled claims, the associated medical record documentation did not support the malnutrition diagnosis code; however, the use of the diagnosis code did not impact the Medicaid payment amount.
- For two sampled claims, the State agency improperly claimed $9,213 ($5,478 Federal share).

What OIG Recommends

This report does not contain recommendations.

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INTRODUCTION

WHY WE DID THIS AUDIT

Malnutrition refers to deficiencies, excesses, or imbalances in a person's intake of energy and nutrients. A previous Office of Inspector General (OIG) audit found that hospitals nationwide had incorrectly billed the Medicare program by using severe malnutrition diagnosis codes when they should have used codes for other forms of malnutrition or used no malnutrition diagnosis code at all.[1]

For this audit, we reviewed Medicaid inpatient hospital claims in Texas with an end service date between January 1, 2019, and June 30, 2021 (audit period). We identified the following forms of malnutrition, as listed in the *International Classification of Diseases, Tenth Revision, Clinical Modification* (ICD-10-CM): unspecified severe protein-calorie malnutrition (diagnosis code E43), unspecified protein-calorie malnutrition (diagnosis code E46), moderate protein-calorie malnutrition (diagnosis code E440), mild protein-calorie malnutrition (diagnosis code E441), collectively referred to in this report as "malnutrition diagnosis codes." Incorrectly using these malnutrition diagnosis codes can result in a higher Medicaid claim payment.

OBJECTIVE

Our objective was to determine whether the Texas Health and Human Services Commission (the State agency) claimed Federal Medicaid reimbursement for fee-for-service (FFS) inpatient hospital claims with malnutrition diagnosis codes in accordance with Federal and State requirements.

BACKGROUND

Medicaid Program

The Medicaid program provides medical assistance to certain low-income individuals and individuals with disabilities (Title XIX of the Social Security Act (the Act)). The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. The State plan establishes which services the Medicaid program will cover. Although a State has considerable flexibility in designing and operating its Medicaid program, it must comply with Federal requirements.

[1] OIG, *Hospitals Overbilled Medicare $1 Billion by Incorrectly Assigning Severe Malnutrition Diagnosis Codes to Inpatient Hospital Claims* (A-03-17-00010), July 13, 2020.

Texas Medicaid Inpatient Hospital Prospective Payment Methodology

In Texas, some hospital stays are reimbursed according to a prospective payment methodology based on diagnosis-related group (DRG) assignment.[2] This methodology reimburses hospitals at a predetermined rate (known as a DRG payment) for services based on critical elements, including the patient's age, sex, admission and discharge dates, diagnoses, discharge status, and medical procedures performed. The DRG payment includes all facility charges (e.g., laboratory, radiology, and pathology). Furthermore, the Texas Administrative Code (TAC) requires that all services, supplies, or items submitted on a claim be medically necessary for the patient's diagnosis or treatment.[3]

To ensure the accuracy of payments, the State agency requires that only one claim be submitted for each inpatient stay with appropriate diagnosis and procedure code sequencing. The DRG assignment might not change if a diagnosis code is removed from a claim because the removed code may not impact the overall severity of the patient's condition; therefore, the assigned DRG remains the same. As such, a malnutrition diagnosis code that is not supported in the medical record documentation could have no impact on the DRG payment.

HOW WE CONDUCTED THIS AUDIT

Our audit covered $188 million in Medicaid payments for 7,971 FFS inpatient hospital claims with an end service date between January 1, 2019, and June 30, 2021,[4] that contained a malnutrition diagnosis code.[5] We selected for review a simple random sample of 100 claims totaling $2.6 million.

We submitted the 100 sampled claims for medical and coding review to a CMS-contracted reviewer to evaluate compliance with selected billing requirements and determine whether the services were medically necessary and properly coded.

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.

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[2] *Texas Medicaid Provider Procedures Manual: Vol. 2; Inpatient and Outpatient Hospital Services Handbook*, section 3.7.3.1- Jan. 2019, June 2019, and 3.7.4.1- June 2021.

[3] TAC Title 1 §§ 354.1131 and 354.1149.

[4] This was the most current data available at the time the audit began.

[5] We excluded claims for which malnutrition was the primary diagnosis because we were unable to determine what primary diagnosis to assign if malnutrition was not supported in the medical record documentation. The DRG payment cannot be determined if there is no primary diagnosis code on the claim.

Appendix A contains the details of our audit scope and methodology, and Appendix B contains our statistical sampling methodology.

RESULTS OF AUDIT

The State agency claimed Federal Medicaid reimbursement for 88 of the 100 sampled FFS inpatient hospital claims with malnutrition diagnosis codes in accordance with Federal and State requirements. However, the remaining 12 sampled claims did not comply with Federal and State requirements. Specifically, for 10 of the 12 sampled claims, the medical record documentation did not support the malnutrition diagnosis code; however, the DRG payment did not change because malnutrition did not impact the overall severity of the patient's condition. For the remaining two sampled claims, the State agency improperly claimed $9,213 ($5,478 Federal share).

Because of the de minimis amount identified, we are not making a formal recommendation to the State agency. However, we shared the audit results to allow the State agency to take any appropriate corrective actions, as deemed necessary.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered $187,903,557 in Medicaid FFS payments to hospitals in Texas for 7,971 inpatient claims with an end service date between January 1, 2019, and June 30, 2021, that contained a malnutrition diagnosis code. We selected for review a simple random sample of 100 claims totaling $2.6 million. (See Appendix B.)

We established reasonable assurance of the authenticity and accuracy of the Texas Medicaid data obtained from the State agency but we did not assess the completeness of the file.

We did not assess the State agency's overall internal control structure. Rather, we limited our review of internal controls to those applicable to our audit objective.

We conducted our audit work from January 2022 through October 2024.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable State and Federal laws, regulations, and guidance related to inpatient hospital claims;
- held discussions with State agency officials to gain an understanding of the prospective payment methodology;
- obtained Texas Medicaid FFS inpatient hospital claims data from the State agency with malnutrition diagnosis codes for the audit period;
- selected a simple random sample of 100 claims with payments totaling $2,606,934 from our sampling frame for review;
- used a CMS-contracted reviewer to determine whether the 100 sampled claims met medical necessity and coding requirements;
- reviewed the CMS-contracted reviewer's determinations;
- worked with State agency officials to determine the correct payments and Federal share impact for the 12 sampled claims, if any; and
- discussed the results of our audit with State agency officials.

On October 23, 2024, we provided the State agency with our draft audit report, and on November 13, 2024, the State agency notified us that it had no comments.

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: STATISTICAL SAMPLING METHODOLOGY

SAMPLING FRAME

The sampling frame consisted of 7,971 paid Medicaid FFS claims for inpatient services with malnutrition diagnoses provided by hospitals in Texas with an end service date between January 1, 2019, and June 30, 2021, which totaled $187,903,557. The diagnosis codes for malnutrition in Texas are E43, E46, E440, and E441.

SAMPLE UNIT

The sample unit was a claim.

SAMPLE DESIGN

We used a simple random sample design.

SAMPLE SIZE

We selected 100 sample items for review.

SOURCE OF RANDOM NUMBERS

We generated the random numbers using the OIG, Office of Audit Services statistical software.

METHOD OF SELECTING SAMPLE ITEMS

We sorted the items by claim control number and then consecutively numbered the items in the sampling frame. After generating the random numbers according to our sample design, we selected the corresponding frame items for review.

ESTIMATION METHODOLOGY

We have chosen not to report any estimates due to the low error rate found in the sample results.

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