DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
P.O. BOX 2047
ATLANTA, GEORGIA 30301

JAN 28 1997

Mr. Marshall Kelly, Director
Division of Health Quality Assurance
Agency for Health Care Administration
2727 Mahan Drive
Tallahassee, Florida 32308

Dear Mr. Kelly:

The enclosed report and recommendation for adjustment of charges provides the results of the Operation Restore Trust (ORT) Audit of the Arbors at Bayonet Point (Medicare Provider number 10-5786), a skilled nursing facility located in Hudson, Florida. The primary objective of the audit was to evaluate the medical necessity of the carte and services provided and the reasonableness of the charges and reimbursements made during the period from January 1, 1995 through March 31, 1996.

The ORT team questioned $113,547 of the $1,072,765 in Medicare charges reported for the 40 sample beneficiaries in our audit. This amount is comprised of $97,120 related to Physical, Occupational, and Speech therapy services rendered; $9,872 in Respiratory therapy services, $9250 of unallowable Room and Board, and $3,354 in unallowable pharmacy and laboratory charges. Therefore, we are recommending an adjustment of the above charges. In addition, we request that a focused review of all rehab therapies and the physician orders for these therapies be conducted by the Fiscal Intermediary and the State agency in order to recoup overpayments made to this SNF and to implement corrective action by the facility.

To aid in your adjustments, we have enclosed the details of our basis for recommending adjustment of charges. Following your review of the report, please prepare and submit to the Office of Inspector General, Office of Audit Services Atlanta Office a plan of corrective action to implement the recommendations made in the report. This plan should be submitted within 30 days of receipt of this letter.

If there are any questions regarding this report, please call Roy Wainscott at 404-331-2446, extension 106.

Sincerely yours,

Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

Enclosure

cc:
Marshall Kelley

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
P.O. BOX 2047
ATLANTA, GEORGIA 30301

JAN 28 1997

Mr. Edward Shamrock, Director
Medicare Audit and Reimbursement
AdminiStar Federal, Inc.
P.O. Box 145482
Cincinnati, Ohio 45250-5482

Dear Mr. Shamrock:

The enclosed report and recommendation for adjustment of charges provides the results of the Operation Restore Trust (ORT) Audit of the Arbors at Bayonet Point (Medicare Provider number 10-5786), a skilled nursing facility located in Hudson, Florida. The primary objective of the audit was to evaluate the medical necessity of the carte and services provided and the reasonableness of the charges and reimbursements made during the period from January 1, 1995 through March 31, 1996.

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Sincerely yours,

Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

Enclosure

Department of Health and Human Services

# OFFICE OF INSPECTOR GENERAL

# OPERATION RESTORE TRUST

## AUDIT OF ARBORS AT BAYONET POINT SKILLED NURSING FACILITY HUDSON, FLORIDA


JUNE GIBBS BROWN
Inspector General

JANUARY 1997
A-04-96-01146

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# I. EXECUTIVE SUMMARY

This report provides the results of the Operation Restore Trust (ORT) audit of the Arbors at Bayonet Point Skilled Nursing Facility in Hudson, Florida. The objective of the audit was to determine whether charges billed to the Medicare Fiscal Intermediary (Intermediary) were allowable.

The unannounced audit was conducted by a team comprised of two Office of Inspector General (OIG), Office of Audit Services auditors, a Health Care Financing Administration (HCFA) nurse-consultant and a Florida Agency for Health Care Administration (State agency) nurse-surveyor.

Using procedures developed during a prior HCFA/OIG ORT project; the team determined the allowability of amounts charged for services provided 40 beneficiaries during the January 1995 through March 1996 period. For the services to be allowable, they must be:

- considered a specific and effective treatment for the patient's condition;
- prescribed under the assumption that the patient's condition will improve significantly in a reasonable period of time based on the assessment made by the physician; and
- reasonable in amount, frequency, and duration.

Based on the audit results, we questioned $113,547 of $1,072,765 (10.6%) in Medicare charges reported by the skilled nursing facility (SNF). As can be seen in Appendix A; the amount questioned is comprised of $55,415 of charges for which the SNF could not produce adequate supporting documentation, $37,602 for services which were not reasonable or medically necessary, and $20,530 for services provided individuals who did not meet pre-admission requirements. We attributed the noted discrepancies to poor administrative internal controls.

We are recommending that the Intermediary:

- direct the provider to implement internal control procedures which would ensure future compliance with pre-admission, level-of-care, billing, and supporting documentation criteria; and
- adjust $113,547 of charges from the SNF's Medicare Cost Reports.

# II. BACKGROUND

The President and the Secretary of the Department of Health and Human Services initiated ORT. This innovative, collaborative project was designed to address growing concerns over rising health care costs. A review of departmental records indicate that over the last 10 years, the following segments of the health care industry have experienced a surge in health care abuse and fraud:

- o home health agencies
- o nursing homes
- o hospices
- o durable medical equipment

Departmental records further disclosed the States of California, Florida, Illinois, New York and Texas receive annually over 40 percent of all Medicare and Medicaid funds paid to the above health care segments. As a result, these States and the above health care segments were chosen as targets of the ORT 23-month pilot project.

Within the Department of Health and Human Services; the ORT project has been a joint effort by HCFA, the OIG and the Administration on Aging. These components are focusing attention on program vulnerabilities identified through investigations and audits.

The HCFA Bureau of Data Management and Strategies (BDMS) has identified certain SNFs in Florida as aberrant according to their billings. The method used to identify these providers was to evaluate the universe of SNF admissions in each State during Calendar Year 1994. Data for all SNF claims was summarized first by beneficiary and then by SNF. Key beneficiary statistics included total claims per beneficiary; allowed dollars per stay; line items or services per number of beneficiaries, average dollars and claims per stay and average dollars per day. The BDMS generated a listing of the facilities with high reimbursement amounts per day and per stay. The final listing of SNF providers were manually scanned and the SNF with the highest reimbursement within each of the five targeted States was selected for review. In Florida, the Arbors at Bayonet Point was the SNF chosen for audit.

# III. SCOPE OF REVIEW

The audit was conducted by a team comprised of a nurse surveyor from the State agency, a nurse consultant from the regional HCFA, and two auditors from the OIG Office of Audit Services.

The audit was performed in accordance with generally accepted government auditing standards. The internal control review was limited to testing the adequacy of the SNF's documentation supporting therapy charges reported to the Intermediary. Major inadequacies were noted during the review; e.g., an error rate of up to 30 percent was noted in one instance. The scope of review was expanded to the extent we increased tracing of reported charges to supporting documentation.

The Arbors at Bayonet Point SNF was selected for audit based upon its high claims per beneficiary, high average dollars and claims per stay, and high cost per day.

The objective of the review was to identify, and quantify charges associated with, unnecessary care (over-utilization) and to identify any abusive practices. We determined the allowability of SNF-reported charges for the following services:

- Room and Board
- Occupation Therapy
- Physical Therapy
- Speech Therapy
- Respiratory Therapy
- Drugs
- Laboratory Services

We reviewed documentation relating to Medicare-funded services provided 40 residents of the facility during the January 1995 through March 1996 period. The residents selected for inclusion in the audit consisted of 10 judgmentally selected and 30 randomly selected. The judgmental sample, which consisted of residents with high charges per stay, was selected to increase the probability of our identifying any major problems with over-utilization. The random sample was selected for inclusion in a statistical projection of questioned charges resulting from audits in the five States included in this ORT project.

The HCFA and State agency nurses identified services which were (i) not reasonable or medically necessary, (ii) not supported in the medical records, or (iii) provided residents who did not meet the pre-admission criteria for posthospital SNF care. The auditors quantified the charges associated with the questioned services.

# IV. FINDINGS AND RECOMMENDATIONS

The audit of the 40 beneficiaries included in our review consisted of a retrospective analysis of charges made to Medicare for therapies provided to residents of the facility. We also reviewed the financial agreements related to the Medicare reimbursement of these therapies.

Based on the audit results, we questioned $113,547 of $1,072,765 (10.6%) in Medicare charges reported by the Arbors at Bayonet Point SNF from January 1, 1995 through March 31, 1996. The amount questioned is comprised of $55,415 of charges for which the SNF could not produce adequate supporting documentation, $37,602 for services which were not reasonable or medically necessary, and $20,530 for services provided individuals who did not meet pre-admission requirements.

Of the $113,547 in charges questioned; $67,862 (59.8%) related to services provided the 10 residents in our judgmentally-selected sample, and $45,685 (40.2%) applied to services provided the 30 residents in our randomly-selected sample. We attributed the noted discrepancies to poor internal controls. We are recommending that the Intermediary: (i) direct the SNF to improve its administrative internal controls and (ii) adjust the questioned charges from the SNF's Medicare Cost Reports.

## ROOM AND BOARD SERVICES

### FINDING #1

### ROOM AND BOARD

We questioned $9,250 (2.3%) of the $407,920 of Room and Board charged to Medicare during our audit period. The questioned charges included all of the services provided 2 of the 30 residents included in our randomly-selected sample. The individuals, who were admitted to the facility from home, did not meet Federal criteria for posthospital SNF care. This occurred because the individuals' eligibility for services was not correctly established prior to their admission.

One resident, who had previously been hospitalized for atrial fibrillation, was admitted to the SNF because of depression. The bed and board charges associated with the 22-day admission totaled $5,500. The regulations at 42 CFR 409.31(b)(2)(I) state that a SNF admission must be related to a prior inpatient hospital stay. That criteria was not met in this instance.

The physician's note for the other resident stated that she was being admitted from home "because daughter who is the care-giver had to leave town (for) several weeks." The bed and board charges associated with the 15-day admission totaled $3,750. The regulations at 42 CFR 409.31(b)(3) state that admission to a SNF is contingent on the need for daily skilled services that could only be provided in a SNF on an inpatient basis. That criteria was not met in this instance.

**Recommendation**

We recommend that the Intermediary:

- o direct the provider to ensure that future admissions meet Federal requirements for coverage of posthospital SNF care.

- o adjust $9,250 of bed and board charges from the SNF's Medicare Cost Report. Financial adjustment of charges for other services provided the individuals is addressed in subsequent sections of this report.

## OCCUPATIONAL, PHYSICAL AND SPEECH THERAPY SERVICES

We questioned $91,071 (16.8%) of the $541,858 charged for occupational, physical and speech therapy services; $66,315 of that amount related to services provided residents included in our judgmentally-selected sample, and $24,756 applied to services provided residents included in our randomly-selected sample. Under 42 Code of Federal Regulations (CFR) 409.23, Medicare Part A pays for these services if they are furnished by the facility or under arrangements made by the facility, and billing is by or through the facility. However, the services are covered only if the beneficiary meets the pre-admission and date-of-admission requirements of 42 CFR 409.30 and the level-of-care requirements of 42 CFR 409.31. The facility is also required to maintain documentation to support its reported Medicare charges (Skilled Nursing Facility Manual (SNFM) Sec. 545.1. The questioned charges did not meet one or more of the cited criteria. We attributed the noted discrepancies to poor internal controls.

**Recommendation**

We recommend that the Intermediary:

- o direct the provider to implement internal control procedures which would ensure future compliance with pre-admission, level-of-care, billing, and supporting-documentation criteria.

- o adjust the questioned charges from the SNF's Medicare Cost Reports. The specific amounts to be adjusted from each type of therapy is provided in following sections of this report.

## FINDING #2

Occupational Therapy Services

We questioned $30,510 (16.8%) of the $181,441 in occupational therapy (OT) charged to Medicare during the audit period. Of this amount, $18,666 related to services provided 9 of the 10 residents included in our judgmentally-selected sample, and $11,844 to services provided 9 of the 30 residents included in our randomly-selected sample.

The questioned charges were comprised of $15,564 for which supporting documentation was not available, $11,890 for services which were not reasonable or medically necessary, and $3,056 for services provided residents who did not meet the pre-admission requirements.

**Recommendation**

We recommend that the Intermediary adjust $30,510 of OT charges from the SNF's Medicare Cost Reports.

## FINDING #3

Physical Therapy Services

We questioned $57,360 (23.5%) of the $244,480 in physical therapy (PT) charged to Medicare during the audit period. Of this amount, $46,120 related to services provided 8 of the 10 residents included in our judgmentally-selected sample, and $11,240 to services provided 10 of the 30 residents included in our randomly-selected sample.

The questioned charges were comprised of $37,400 for which supporting documentation was not available, $16,120 for services which were not reasonable or medically necessary, and $3,840 for services provided residents who did not meet the pre-admission requirements.

**Recommendation**

We recommend that the Intermediary adjust $57,360 of PT charges from the SNF's Medicare Cost Reports.

## FINDING #4

Speech Therapy Services

We questioned $3,201 (2.8%) of $115,937 in speech therapy (ST) charged to Medicare during our audit period. Of this amount, $1,529 related to services provided 3 of the 10 residents included in our judgmentally-selected sample, and $1,672 to services provided 2 of the 30 residents included in our randomly-selected sample.

The questioned charges were comprised of $1,625 for which supporting documentation was not available and $1,576 for services which were not reasonable or medically necessary.

**Recommendation**

We recommend that the Intermediary adjust $3,201 of ST charges from the SNF's Medicare Cost Reports.

## OTHER THERAPIES AND SERVICES

## FINDING #5

Respiratory Therapy Services

We questioned $9,872 (24.8%) of the $39,879 of respiratory therapy (RT) services charged to Medicare during the audit period. Of this amount, $225 related to services provided 3 of the 10 residents included in our judgmentally-selected sample, and $9,647 to services provided 8 of the 30 residents included in our randomly-selected sample.

The questioned charges were comprised of $488 for which supporting documentation was not available, $6,384 for services which were not reasonable or medically necessary, and $3,000 for services provided residents who did not meet the pre-admission requirements.

The RT is covered under the Medicare posthospital extended care benefit if furnished by a "transfer hospital" or by a nurse on the staff of the SNF (SNFM 230.10 C.2.). To be considered reasonable and necessary, RT services furnished must be (i) consistent with the nature and severity of the individual's complaints and diagnosis, (ii) reasonable in terms of modality, amount, frequency and duration, and (iii) generally accepted by the professional medical community as being safe and effective treatment for the purpose used (SNFM 230.10 C.3.). In addition, a distinction exists between RT services and routine nursing services (SNFM 230.10 C.4.).

The SNF must also maintain the documentation necessary to support its reported charges; e.g., UB-92s billing statements and any other billing forms, supporting documents and forms, charge slips, daily patient census records, and other business and accounting records applicable to specific claims (SNFM 545.1).

The questioned charges did not meet one or more of the cited criteria. We attributed the noted discrepancies to poor internal controls.

**Recommendation**

We recommend that the Intermediary:

- o direct the provider to implement internal control procedures which would ensure future compliance with pre-admission, level-of-care, billing, and supporting-documentation criteria.

- o adjust $9,872 of RT charges from the SNF's Medicare Cost Reports.

## FINDING #6

Drugs

We questioned $3,054 (4.2%) of the $72,675 of drugs charged as ancillary services to Medicare in our audit period. Of this amount, $1,322 related to drugs provided the 10 residents included in our judgmentally-selected sample, and $1,732 applied to drugs provided 17 of the 30 residents included in our randomly-selected sample.

To reduce the potential impact of unusual or inconsistent charging practices, certain items and services are always considered routine in a SNF for purposes of Medicare cost apportionment. Non-legend (nonpresciption) drugs are included as an example in the listing of such routine items. (Paragraph 2203.1 of Part 1 to the HCFA Provider Reimbursement Manual)

With the exception of $138, the amount questioned pertained to non-legend drugs which the nurse-members of the audit team thought were routine drugs; e.g., Anacin, Tylenol, Fleets enema, laxatives, etc.. A SNF is required to maintain the documentation necessary to support its reported charges; e.g., UB-92s billing statements and any other billing forms, supporting documents and forms, charge slips, daily patient census records, and other business and accounting records applicable to specific claims (SNFM 545.1). The questioned charges did not meet one or more of the cited criteria as an ancillary service.

**Recommendation**

We recommend that the Intermediary:

- o direct the provider to exclude routine non-legend drugs from its reported ancillary service costs.

- o adjust $3,054 of drug charges from the SNF's Medicare Cost Reports.

## FINDING #7

Laboratory

We questioned $300 (75%) of the $400 charged for laboratory services charged to Medicare during our audit period. The questioned charges included services provided 2 of the 30 residents included in our randomly-selected sample. Of that amount, $100 applied to services provided a resident whose admission to the SNF did not qualify as a covered Medicare stay. The remaining $200 related to service provided a resident for which there was no supporting documentation.

**Recommendation**

We recommend that the Intermediary:

- o direct the provider to ensure that future admissions meet Federal requirements for coverage of posthospital SNF care.

- o adjust $300 of laboratory charges from the SNF's Medicare Cost Report.

# APPENDICES

**Appendix A**

OPERATION RESTORE TRUST
AUDIT OF ARBORS AT BAYONET POINT SKILLED NURSING FACILITY
HUDSON, FLORIDA

## RECOMMENDED ADJUSTMENT OF CHARGES

| Service | Total Questioned | Unsupported | Not Medically Necessary* | Unqualified SNF Stay |
|---|---|---|---|---|
| Room & Board | 9,250 | 0 | 0 | 9,250 |
| Occupational Therapy | 30,510 | 15,564 | 11,890 | 3,056 |
| Physical Therapy | 57,360 | 37,400 | 16,120 | 3,840 |
| Speech Therapy | 3,201 | 1,625 | 1,576 | 0 |
| Respiratory Therapy | 9,872 | 488 | 6,384 | 3,000 |
| Drugs | 3,054 | 138 | 1,632 | 1,284 |
| Laboratory | 300 | 200 | 0 | 100 |
| TOTAL | 113,547 | 55,415 | 37,602 | 20,530 |

* Includeds non-legend drugs

**Appendix B**

OPERATION RESTORE TRUST
AUDIT OF ARBORS AT BAYONET POINT SKILLED NURSING FACILITY
HUDSON, FLORIDA

**RECOMMENDED ADJUSTMENT OF CHARGES**

| File | Claim Number | THERAPY | | | | Drugs | Total |
|---|---|---|---|---|---|---|---|
| | | Occupational | Physical | Speech | Respiratory | | |
| 1 | 024181402A | 96.00 | 80.00 | 48.00 | 75.00 | 4.00 | 303.00 |
| 2 | 043094266A | 955.00 | 2,400.00 | 1,385.00 | | 95.00 | 4,835.00 |
| 3 | 228184320C1 | | | 96.00 | | 136.00 | 232.00 |
| 4 | 262093675A | 525.00 | | | | 246.00 | 771.00 |
| 5 | 263386133A | 2,970.00 | 8,080.00 | | | 67.00 | 11,117.00 |
| 6 | 273018088A | 764.00 | 4,560.00 | | | 332.00 | 5,656.00 |
| 7 | 359105626A | 907.00 | 120.00 | | | 200.00 | 1,227.00 |
| 8 | 362018603A | 3,137.00 | 10,320.00 | | 75.00 | 128.00 | 13,660.00 |
| 9 | 372079368A | 2,340.00 | 560.00 | | 75.00 | 37.00 | 3,012.00 |
| 10 | 404365841A | 6,972.00 | 20,000.00 | | | 77.00 | 27,049.00 |
| TOTAL | | 18,666.00 | 46,120.00 | 1,529.00 | 225.00 | 1,322.00 | 67,862.00 |

OPERATION RESTORE TRUST
AUDIT OF ARBORS AT BAYONET POINT SKILLED NURSING FACILITY
HUDSON, FLORIDA

**Appendix C**

RANDOMLY SELECTED RESIDENTS
RECOMMENDED ADJUSTMENT OF CHARGES

| FILE | CLAIM NUMBER | ROOM & BOARD | THERAPY | | | | DRUGS | LABORATORY | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | | | OCCUPATIONAL | PHYSICAL | SPEECH | RESPIRATORY | | | |
| 1 | WA09910315 | | 3,199.00 | 1,680.00 | | 524.00 | | | 5,403.00 |
| 2 | 033091284A | 3,750.00 | | 1,480.00 | | 2,550.00 | 602.00 | 100.00 | 8,482.00 |
| 3 | 061164247D | | 621.00 | 80.00 | | | 19.00 | | 720.00 |
| 4 | 062269512A | | 3,056.00 | 160.00 | | | | | 3,216.00 |
| 5 | 072092254A | | 48.00 | | | | | | 48.00 |
| 6 | 073122350A | | | | | | 8.00 | | 8.00 |
| 7 | 079096021A | | 1,051.00 | 2,160.00 | | 918.00 | | | 4,129.00 |
| 8 | 082103727A | 5,500.00 | 3,056.00 | 2,360.00 | | 450.00 | 682.00 | | 12,048.00 |
| 9 | 093163313A | | | | | | 8.00 | | 8.00 |
| 10 | 096226126A | | | | | | | | 0.00 |
| 11 | 098208365A | | | | | 188.00 | | | 188.00 |
| 12 | 117281984D | | | | | | 27.00 | | 27.00 |
| 13 | 134207753B | | | 360.00 | | | | | 360.00 |
| 14 | 154092713A | | | | | | 72.00 | | 72.00 |
| 15 | 158059656A | | | 720.00 | | | 10.00 | | 730.00 |
| 16 | 163227638A | | | | | | | | 0.00 |
| 17 | 195166335A | | | | | | 9.00 | | 9.00 |
| 18 | 211183130A | | | | | | 13.00 | | 13.00 |
| 19 | 275096901A | | | | | | 44.00 | | 44.00 |
| 20 | 284054469A | | 287.00 | | 96.00 | 3,225.00 | 40.00 | | 3,648.00 |
| 21 | 304126996A | | | | | | | | 0.00 |
| 22 | 324011088A | | 478.00 | 120.00 | | | 24.00 | | 622.00 |
| 23 | 331227596A | | | 2,120.00 | | | | | 2,120.00 |
| 24 | 333189249A | | | | 1,576.00 | 1,688.00 | | | 3,264.00 |
| 25 | 335051445D | | 48.00 | | | | 47.00 | | 95.00 |
| 26 | 383126986A | | | | | 104.00 | 59.00 | | 163.00 |
| 27 | 386035088A | | | | | | | | 0.00 |
| 28 | 472050297D | | | | | | 46.00 | | 46.00 |
| 29 | 579242125A | | | | | | | | 0.00 |
| 30 | 709104448D | | | | | | 22.00 | 200.00 | 222.00 |
| | | | | | | | | | |
| TOTAL | | 9,250.00 | 11,844.00 | 11,240.00 | 1,672.00 | 9,647.00 | 1,732.00 | 300.00 | 45,685.00 |