DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

JAN 30 2004

Report Number: A-07-03-00153

Ms. Cindy Fazel
Cardiac Rehabilitation Services
Cloud County Health Center
1100 Highland Drive
Concordia, Kansas 66901

Dear Ms. Fazel:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services' (OAS), final report entitled "Review of Cardiac Rehabilitation Services at Cloud County Health Center, Concordia, Kansas." A copy of this report will be forwarded to the action official noted below for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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To facilitate identification, please refer to report number A-07-03-00153 in all correspondence relating to this report.

Sincerely yours,

James P. Aasmundstad
Regional Inspector General
for Audit Services

Enclosures - as stated

Direct Reply to HHS Action Official:
HHS ACTION OFFICIAL

Joe Tilghman, Regional Administrator
Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services
601 East 12th Street, Room 235
Kansas City, MO 64106

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF CARDIAC REHABILITATION SERVICES AT CLOUD COUNTY HEALTH CENTER, CONCORDIA, KANSAS

JANUARY 2004
A-07-03-00153

Office of Inspector General

http://oig.hhs.gov/

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OAS FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

This review is part of a nationwide analysis of Medicare reimbursement for outpatient cardiac rehabilitation services. The analysis was requested by the Administrator of the Centers for Medicare & Medicaid Services (CMS) to determine the level of provider compliance with national Medicare outpatient cardiac rehabilitation policies.

OBJECTIVE

The overall objective of our review was to determine whether Medicare properly reimbursed Cloud County Health Center (Concordia), Concordia, Kansas for outpatient cardiac rehabilitation services. Specifically, we determined whether:

- Concordia's policies and procedures reflected Medicare cardiac rehabilitation coverage requirements for direct physician supervision, "incident to" services, and Medicare covered diagnoses.

- Payments to Concordia for outpatient cardiac rehabilitation services provided to Medicare beneficiaries during Calendar Year (CY) 2001 were for Medicare covered diagnoses, were supported by adequate documentation, and were otherwise allowable for reimbursement.

RESULTS OF REVIEW

Even though physician supervision is assumed to be met in an outpatient hospital department, Concordia did not designate a physician to directly supervise the services provided by its cardiac rehabilitation program. Also, contrary to current Medicare requirements, we could not identify the physician professional services to which the cardiac rehabilitation services were provided "incident to." In addition, from our claims review of 16 beneficiaries who received outpatient cardiac rehabilitation services during CY 2001, we determined that Concordia claimed and received Medicare reimbursement amounting to $4,244. For these16 beneficiaries, we determined that:

- Concordia billed 1 session that exceeded the 36-session limit for cardiac rehabilitation services.

- Due to lack of controls, Concordia did not submit documentation to Medicare to adequately document 63 sessions of treatment. This inaction resulted in Concordia losing $818 of reimbursement.

The errors and Medicare payments are part of a larger nationwide review of outpatient cardiac rehabilitation service claims and may be included in a nationwide roll-up report of all providers reviewed.

RECOMMENDATIONS

We recommend that Concordia:

- Work with its Medicare fiscal intermediary (FI), Blue Cross and Blue Shield of Kansas (BCBS) to ensure that Concordia's outpatient cardiac rehabilitation program is being conducted in accordance with the Medicare coverage requirement for direct physician supervision, and for the requirement that the services be provided "incident to" a physician's professional service.

- Implement controls to ensure that medical records documentation is maintained to support Medicare outpatient cardiac rehabilitation services.

- Implement controls to ensure that all allowable cardiac services are billed and paid by Medicare.

- Implement controls to ensure that outpatient cardiac rehabilitation services billed for each beneficiary are within the standard limit for Medicare coverage.

CONCORDIA'S COMMENTS

Concordia has generally concurred with our findings and has taken positive actions to follow through with our recommendations. They have began discussions with their FI, as recommended, "to assure that we are meeting medical necessity guidelines." In addition, they listed the controls they had implemented to ensure (1) documentation in the medical records supports outpatient cardiac rehabilitation services, (2) all allowable cardiac services are billed and paid in accordance with Medicare coverage and billing requirements, and (3) cardiac services billed for each beneficiary are within the standard limit for Medicare services. Concordia's response in included in its entirety as Appendix B.

OIG'S RESPONSE

We commend Concordia for taking action to address our recommendations. They should continue to work with their FI to resolve issues of direct physician supervision and "incident to" physician services.

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INTRODUCTION

BACKGROUND

Medicare Coverage

The Medicare program, established by title XVIII of the Social Security Act (Act), provides health insurance to people aged 65 and over, the disabled, people with end stage renal disease, and certain others who elect to purchase Medicare coverage. The Medicare program is administered by the CMS. CMS currently covers Phase II outpatient cardiac rehabilitation programs conducted in specialized, free-standing cardiac rehabilitation clinics and in hospital outpatient departments under the "incident to" benefit (section 1861(s)(2)(A) of the Act).

Medicare coverage policy for cardiac rehabilitation services is found in section 35-25 of the Medicare Coverage Issues Manual. Under Medicare, outpatient cardiac rehabilitation is considered reasonable and necessary only for patients with a clear medical need, who are referred by their attending physicians, and (1) have a documented diagnosis of acute myocardial infarction within the preceding 12 months, (2) have had coronary artery bypass graft surgery, and/or (3) have stable angina pectoris. Services provided in connection with the cardiac rehabilitation program may be considered reasonable and necessary for up to 36 sessions, usually 3 sessions per week in a single 12-week period. Each cardiac rehabilitation session is considered to be one unit of service.

Cardiac rehabilitation is provided by nonphysician personnel, who are trained in both basic and advanced life support techniques and exercise therapy for coronary disease, under the direct supervision of a physician. Direct supervision means that a physician must be in the exercise area and immediately available and accessible for an emergency at all times the exercise program is conducted. It does not require a physician to be physically present in the exercise room itself. For outpatient therapeutic services provided in a hospital, the Medicare Intermediary Manual states, "The physician supervision requirement is generally assumed to be met where the services are performed on hospital premises."

In order to be covered under the "incident to" benefit in an outpatient hospital department, services must be furnished as an integral, although incidental part of the physician's professional service in the course of diagnosis or treatment of an illness or injury. This does not mean that each occasion of service by a nonphysician need also be the occasion of the actual rendition of a personal professional service by the physician. However, during any course of treatment rendered by auxiliary personnel, the physician must personally see the patient periodically and sufficiently often to assess the course of treatment and the patient's progress and, where necessary, to change the treatment program.

Cardiac Rehabilitation Programs

Cardiac rehabilitation consists of comprehensive programs involving medical evaluations, prescribed exercise, cardiac risk factor modification, education, and counseling. Cardiac rehabilitation programs are typically divided into three phases, as follows:

- Phase I. Phase I rehabilitation is initiated in the acute convalescent period following a cardiac event during the hospital phase of treatment. This phase of cardiac rehabilitation is considered part of the hospital stay and is covered as part of the Medicare diagnosis-related group allowance for the hospital stay.

- Phase II. Phase II begins with a physician's prescription (referral) after the acute convalescent period and after it has been determined that the patient's clinical status and capacity will allow for safe participation in an individualized progressive exercise program. This phase requires close monitoring and is directed by a physician who is on-site. Phase II outpatient cardiac rehabilitation is covered by Medicare.

- Phase III. Phase III begins after completion of Phase II and involves a less intensively monitored aerobic exercise program. Phase III level programs are considered maintenance and are not covered by Medicare.

Medicare reimburses outpatient hospital departments for cardiac rehabilitation services under the outpatient prospective payment system. Cardiac rehabilitation services are paid by the FI based on an ambulatory payment classification. The FI for Concordia is Blue Cross Blue Shield of Kansas (BCBS). For CY 2001, Concordia provided outpatient cardiac rehabilitation services to 16 Medicare beneficiaries and received $4,244 in Medicare reimbursements for these services.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our review is part of a nationwide analysis of Medicare reimbursement for outpatient cardiac rehabilitation services. The analysis was requested by the CMS Administrator to determine the level of provider compliance with Medicare coverage requirements for outpatient cardiac rehabilitation services. As such, the overall objective of our review was to determine whether Medicare properly reimbursed Concordia for outpatient cardiac rehabilitation services. Specifically, we determined whether:

- Concordia's policies and procedures reflected Medicare cardiac rehabilitation coverage requirements for direct physician supervision, "incident to" services, and Medicare covered diagnoses.

- Payments to Concordia for outpatient cardiac rehabilitation services provided to Medicare beneficiaries during CY 2001 were for Medicare covered diagnoses, were supported by adequate documentation, and were otherwise allowable for reimbursement.

Scope

To accomplish these objectives, we reviewed Concordia's current policies and procedures and interviewed staff to gain an understanding of Concordia's management of its outpatient cardiac rehabilitation program and the billing procedures for cardiac rehabilitation services. In addition, we reviewed Concordia's cardiac rehabilitation services documentation, inpatient medical records, physician referrals and Medicare reimbursement data for beneficiaries who received outpatient cardiac rehabilitation services from Concordia during CY 2001 as part of a national review of outpatient cardiac rehabilitation services. Specifically, we reviewed Concordia's outpatient cardiac rehabilitation procedures for and controls over physician supervision, cardiac rehabilitation staffing, maintenance and availability of advanced cardiac life support equipment, and documentation of services provided and billed to Medicare.

We selected 16 Medicare beneficiaries who received outpatient cardiac rehabilitation services from Concordia during CY 2001. We reviewed all Medicare paid claims for cardiac rehabilitation services provided to these 16 beneficiaries during CY 2001.

Our audit was conducted in accordance with generally accepted government auditing standards.

Methodology

We compared Concordia's current policies and procedures for outpatient cardiac rehabilitation to national Medicare coverage requirements and identified any differences. We documented how Concordia's staff provided direct physician supervision for cardiac rehabilitation services and verified that Concordia's cardiac rehabilitation program personnel were qualified in accordance with Medicare requirements. We also verified the availability of advanced cardiac life support equipment in the cardiac rehabilitation exercise area.

For each beneficiary, we obtained the CY 2001 Medicare outpatient cardiac rehabilitation paid claims and lines of service and compared this data to Concordia's outpatient cardiac rehabilitation service documentation. We reviewed the medical records maintained by Concordia's cardiac rehabilitation program to determine whether services were provided "incident to" a physician's professional service. We also verified the accuracy of the diagnoses identified on the Medicare claims to each beneficiary's inpatient medical record, the physician referral, and the Concordia outpatient cardiac rehabilitation medical records.

In addition, we determined if Medicare reimbursed Concordia beyond the maximum number of services allowed. We obtained Medicare payment history data for our beneficiaries, identified any claims related to the outpatient cardiac rehabilitation services provided by Concordia, and ensured that services were not billed separately to Medicare.

In accordance with the intent of CMS's request for a nationwide analysis, we determined the extent to which providers were currently complying with existing Medicare coverage requirements. We performed fieldwork during March 2003 at Concordia, a rural 42-bed hospital that was voluntary nonprofit, and subsequently in our Kansas City Regional Office.

RESULTS OF REVIEW

Even though physician supervision is assumed to be met in an outpatient hospital department, Concordia did not designate a physician to directly supervise the services provided by its cardiac rehabilitation staff. Also, contrary to current Medicare requirements, we could not identify the physician professional services to which the cardiac rehabilitation services were provided "incident to." In addition, from our claims review of 16 beneficiaries who received outpatient cardiac rehabilitation services during CY 2001, we determined that Concordia received Medicare reimbursement amounting to $4,244. For these 16 beneficiaries, we determined that:

- Concordia billed 1 session that exceeded the 36 session-limit of treatment for cardiac rehabilitation.

- Due to lack of controls, Concordia did not submit documentation to Medicare to adequately document 63 sessions of treatment. This inaction resulted in Concordia losing $818 of reimbursement.

See Appendix A for a summary of errors.

PHSYCIAN INVOLVEMENT IN OUTPATIENT CARDIAC REHABILITATION

Direct Physician Supervision

Medicare requirements for outpatient cardiac rehabilitation state that direct supervision means that a physician must be in the exercise area and immediately available and accessible for an emergency at all times the exercise program is conducted. The physician supervision requirement is generally assumed to be met where the services are performed on hospital premises.

At Concordia, no physician was actually designated to provide physician supervision to the cardiac rehabilitation exercise area, and no documentation existed in the cardiac rehabilitation program's medical records to support direct physician supervision during exercise sessions. On a day-to-day basis, a respiratory therapist staffed and supervised the outpatient cardiac rehabilitation program.

Concordia's outpatient cardiac rehabilitation policies and procedures stated that among other duties, the medical director was responsible for discussing and resolving patient care, treatment, and service management issues with respective medical staff. There did not appear to be a requirement that the medical director provide physician supervision or be in the exercise area and immediately available for an emergency at all times the exercise program is being conducted.

Instead, Concordia utilized an emergency response team of physicians to "supervise" outpatient cardiac rehabilitation services. The team was responsible to respond to any medical emergency that occurred throughout the hospital, including the cardiac rehabilitation exercise area. Cardiac rehabilitation staff believed that other physicians, located nearby the cardiac rehabilitation exercise area, could respond to any medical emergency and, thus, were also available to "supervise" cardiac rehabilitation services.

Although Medicare policy provides that physician supervision is assumed to be met in an outpatient hospital department, we believe that Concordia should work with BCBS to ensure that reliance placed on the emergency response team to provide this supervision specifically conforms to the requirements.

"Incident To" Physician Services

Medicare covers Phase II cardiac rehabilitation under the "incident to" benefit. In an outpatient hospital department, the "incident to" benefit does not require that a physician perform a personal professional service on each occasion of service by a nonphysician. However, during any course of treatment rendered by auxiliary personnel, the physician must personally see the patient, periodically and sufficiently often, to assess the course of treatment and the patient's progress and, where necessary, to change the treatment program.

At Concordia, we could not identify the physician professional services to which the cardiac rehabilitation services were provided "incident to." According to Concordia's policies and procedures for cardiac rehabilitation provide the following guidance:

> "This phase of cardiac health and rehabilitation is the initial recovery period following discharge from the hospital. Optimally participants enter within the week of discharge with a physician referral and the recommendation for a graded exercise test (GXT). The early outpatient phase may begin while the participant is yet an inpatient or may not begin for up to 12 months following discharge due to complicating conditions. The length of stay in the past has averaged 36 sessions in 12 weeks, however, with current changes in reimbursement policies, public and private, there are shortened stay (>12 weeks). Length of stay is now being determined by risk stratification, goal attainment and clinical stability. The early outpatient program offers the participant and family a comprehensive approach including education, counseling and behavior change options related to cardiovascular disease, MI, risk factor modification, nutrition, stress management

> and emotional support. The early outpatient phase also includes individualized, progressive exercise regimen geared towards gradually increasing the participant's duration and intensity of exercises. The participant is supervised by health professionals with the addition of telemetry monitoring. This phase is generally reimbursed by third payers provided specific requirements are met…."

According to the outpatient cardiac rehabilitation medical records, there were times when the physicians at the hospital conducted program entry requirements as well as discharging their patients, however, the registered nurses who staffed the cardiac rehabilitation unit conducted the ongoing assessments. It appears that the cardiac rehabilitation staff contacted physicians, usually the referring physicians, only when a determination of the new onset of signs/symptoms was made during the ongoing assessments.

From our review of Concordia's outpatient cardiac rehabilitation medical records, we could not locate evidence of any physician professional services rendered to the patients participating in the program. Although required under the "incident to" benefit, there was no documentation to support that a physician personally saw the patient, periodically and sufficiently often, to assess the course of treatment and the patient's progress and, where necessary, to change the treatment program. Accordingly, we believe that Concordia's cardiac rehabilitation program did not meet the requirements to provide an "incident to" service.

MEDICARE COVERED DIAGNOSES AND DOCUMENTATION

Medicare coverage considers cardiac rehabilitation services reasonable and necessary only for patients with a clear medical need, who are referred by their attending physician, and (1) have a documented diagnosis of acute myocardial infarction within the preceding 12 months, (2) have had coronary artery bypass graft surgery, and/or (3) have stable angina pectoris. Medicare reimburses providers for Phase II outpatient cardiac rehabilitation services and allows one unit of service to be billed per cardiac rehabilitation session. Documentation for these services must be maintained in the patient's medical records.

Our review of all 16 Concordia Medicare beneficiaries with claims for outpatient cardiac rehabilitation services for the CY 2001 disclosed that beneficiaries had Medicare covered diagnoses and properly documented services.

For each beneficiary, we reviewed records to determine the primary diagnosis that was associated with the rehabilitation service. Concordia documented that 11 of the beneficiaries had a myocardial infarction and 5 had a coronary bypass surgery. Both conditions are Medicare covered diagnoses. We obtained medical records to show rehabilitation services received were medically supported and necessary. We reviewed the physician's referral and all cardiac rehabilitation data that indicated that services were provided.

Services Exceeding Standard Medicare Limit

Medical records indicated that one beneficiary had received 37 sessions, one more than CMS's limit of 36. The Medicare manual states that service provided in connection with cardiac rehabilitation may be considered reasonable and necessary for up to 36 sessions, and any allowed beyond 36 would have to meet certain criteria and require additional documentation. Concordia provided no additional documentation for the extra session. The billing of the extra session appears to be a clerical error.

Services Billed but Not Paid by Medicare

Concordia also had a total of 63 services that were initially billed for 9 of 16 beneficiaries, which we reviewed. However, Medicare did not pay for the services because additional information requested by the FI was not provided. This inaction resulted in Concordia losing $ 818 of reimbursement. We believe that inadequate internal controls were in effect to ensure that all billed claims were paid.

RECOMMENDATIONS

We recommend that Concordia:

- Work with its Medicare FI, (BCBS), to ensure that Concordia's outpatient cardiac rehabilitation program is being conducted in accordance with the Medicare coverage requirement for direct physician supervision, and for the requirement that the services be provided "incident to" a physician's professional service.

- Implement controls to ensure that medical records documentation is maintained to support Medicare outpatient cardiac rehabilitation services.

- Implement controls to ensure that all allowable cardiac services are billed and paid by Medicare.

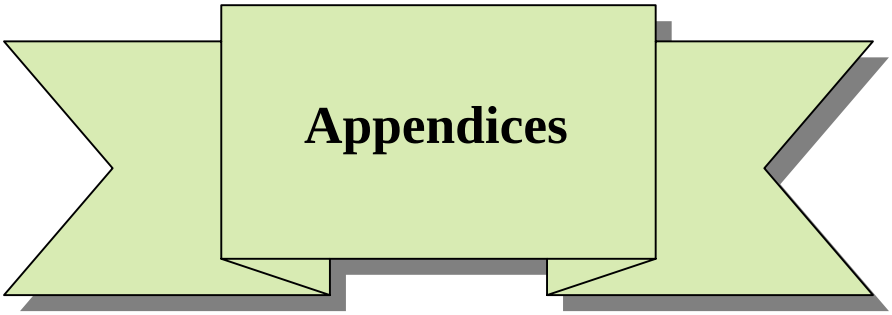
- Implement controls to ensure that outpatient cardiac rehabilitation services billed for each beneficiary are within the standard limit for Medicare coverage.

CONCORDIA'S COMMENTS

Concordia has generally concurred with our findings and has taken positive actions to follow through with our recommendations. They have began discussions with their FI, as recommended, "to assure that we are meeting medical necessity guidelines." In addition, they listed the controls they had implemented to ensure (1) documentation in the medical records supports outpatient cardiac rehabilitation services, (2) all allowable cardiac services are billed and paid in accordance with Medicare coverage and billing requirements, and (3) cardiac services billed for each beneficiary are within the standard limit for Medicare services. Concordia's response in included in its entirety as Appendix B.

OIG'S RESPONSE

We commend Concordia for taking action to address our recommendations. They should continue to work with their FI to resolve issues of direct physician supervision and "incident to" physician services.


Appendices

APPENDIX A

SUMMARY OF ERRORS

The following table summarizes the errors identified during testing of 16 Medicare beneficiaries who received outpatient cardiac rehabilitation services from Concordia during CY 2001. The results of our review may be included in a nationwide roll-up report of outpatient cardiac rehabilitation services.

Medicare Covered Diagnosis	Number of Sampled Beneficiaries with Diagnosis	Beneficiaries Not Having Medical Documentation Supporting the Medicare Covered Diagnosis	Number of Services provided but not paid by Medicare
Acute Myocardial Infarction	11	0	63
Coronary Artery Bypass Graft	5	0	0
Stable Angina Pectoris	0	0	0
Total	**16**	**0**	**63**

CLOUD COUNTY HEALTH CENTER
"REACHING OUT TO SERVE"

December 4, 2003

Reference: Report Number A-07-03-00153

James P. Aasmundstad
Office of Inspector General
Office of Audit Services
Regional Inspector General for Audit Services
Region VII
601 East 12th Street, Room 284 A
Kansas City, MO 64106

Dear Mr. Aasmundstad:

This letter is in reply to the Office of Inspector General, Office of Audit Service's (OAS) draft report dated November 7, 2003 and entitled, "Review of the Cardiac Rehabilitation Services at Cloud County Health Center, Concordia, Kansas."

These comments are directed to the four recommendations listed on Page ii.

- Our patient accounts supervisor has begun preliminary discussions with the Kansas Fiscal Intermediary (BC BS of Kansas) regarding the Medicare Coverage requirements for cardiac rehab services including covered diagnoses to assure that we are meeting medical necessity guidelines; requirements that services are provided "incident to" a physician's professional service, and billing does not exceed coverage limits.

- The following controls have been implemented to ensure that documentation in the medical records supports outpatient cardiac rehab services:

  A) We will maintain our current documentation system which includes:

     1) an initial written treatment plan which is mailed to the ordering physician from the cardiac rehab department;
     2) the ordering physician reviews, revises as needed, signs and returns the original document to be filed in the patient's cardiac rehab active chart.
     3) regular progress reports are mailed to the ordering and primary care physicians. They review the plan, revise as needed, sign and return the original document to be filed in the patient's cardiac rehab active chart.

  B) The following controls have been implemented by the cardiac rehab department to ensure complete and accurate documentation in the medical record;

     1) a copy of the ordering and/or primary care physicians' office progress notes are requested and maintained in the active cardiac rehab medical record. The dates of service for all patient follow-up office visits

during cardiac rehab will be recorded and a copy of the office progress notes will be placed in the medical record.

2) the Medical Director of Cardiac Rehab/designee provides direct supervision of the cardiac rehab program by:

    a) reviewing progress and concerns regarding any cardiac rehab patient;
    b) and acknowledges supervision and review with documentation;
    c) being immediately available in the hospital, where services are provided and the physician clinic is located, to respond in the event of an emergency. Current response time is $\leq$ thirty (30) seconds.

- The following controls have been implemented by the patient accounts and billing office to ensure that all allowable cardiac services are billed and paid by Medicare in accordance with Medicare coverage and billing requirements:

    1. Account supervisor has begun discussions with the Kansas Fiscal Intermediary (BC BS of Kansas) about covered services,
    2. Restructured and educated the billing office personnel regarding the Medicare coverage guidelines for cardiac rehab services to assure that covered services provided are billed accurately, in a timely manner within coverage guidelines and reimbursed by Medicare at the appropriate rate.

- The following controls to ensure that cardiac rehab services billed for each beneficiary are within the standard limit for Medicare coverage guidelines not to exceed 36 visits per patient include:

    1. Will consult with the Fiscal Intermediary to ensure billing edits are correct and will filter overcharges prior to submission of claims.
    2. Will implement quarterly sampling audit of cardiac rehab services comparing service provided, documentation present in the medical record and charges submitted.

Thank you for the opportunity to respond to the March, 2003 audit of Outpatient Cardiac Rehabilitation Services at Cloud County Health Center.

Sincerely,

Ms. Cindy Fazel, RRT
Cardiac Rehab Services

Mr. Roy White
President & CEO

ACKNOWLEDGEMENTS

This report was prepared under the direction of James P. Aasmundstad. Other principal Office of Audit Services staff that contributed include:

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