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

Report Number: A-07-03-00156

FEB 0 4 2004

Ms. Jeri Vineyard
Director of Cardiac Rehabilitation Services
Community Memorial Healthcare, Inc.
708 North 18th Street
Marysville, Kansas 66508

Dear Ms. Vineyard:

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 Community Memorial Healthcare, Inc., Marysville, 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.

In accordance with the principles of the Freedom of Information Act 5 U.S.C.552, as amended by Public Law 104-231, OIG, OAS reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.) As such, within ten business days after the final report is issued, it will be posted on the world-wide-web at http://oig.hhs.gov.

To facilitate identification, please refer to report number A-07-03-00156 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 COMMUNITY MEMORIAL HEALTHCARE, INC., MARYSVILLE, KANSAS


**FEBRUARY 2004**
**A-07-03-00156**

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**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 Community Memorial Healthcare, Inc. (Marysville) Marysville, Kansas for outpatient cardiac rehabilitation services. Specifically, we determined whether:

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

- Payments to Marysville 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, Marysville did not designate a physician to supervise the services provided by its cardiac rehabilitation program. In addition, contrary to current Medicare requirements, we could not identify the physician professional services to which the cardiac rehabilitation services were provided "incident to." With regard to the $6,474 of Medicare claims paid for the 18 beneficiaries receiving services during CY 2001, no other problems were noted.

The issues 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 Marysville:

- Work with its Medicare fiscal intermediary (FI), Blue Cross Blue Shield of Kansas (BCBS of Kansas), to ensure that Marysville'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.

## MARYSVILLE'S COMMENTS

Marysville's took positive action addressing our recommendations. They contacted their FI on December 19, 2003 concerning the recommendations made in the report. They reemphasized their procedures for meeting the requirements for an "incident to" service. In addition, they stated that their cardiac rehabilitation services do have physician coverage immediately available in the event of an emergency. Marysville's response is included in its entirety as Appendix B.

## OFFICE OF INSPECTOR GENERAL'S RESPONSE

We commend Marysville for taking positive action in addressing our recommendations. They should continue to work with their FI concerning the issues of "incident to" and direct physician supervision.

## TABLE OF CONTENTS

# 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 CMS. CMS currently covers Phase II outpatient cardiac rehabilitation programs conducted in specialized, free-standing cardiac rehabilitation clinics and in outpatient hospital 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 a Medicare FI based on an ambulatory payment classification. The FI for Marysville is BCBS of Kansas. For CY 2001, Marysville provided outpatient cardiac rehabilitation services to 18 Medicare beneficiaries and received $6,474 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 Marysville for outpatient cardiac rehabilitation services. Specifically, we determined whether:

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

- Payments to Marysville 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 Marysville's current policies and procedures and interviewed staff to gain an understanding of Marysville's management of its outpatient cardiac rehabilitation program and the billing procedures for cardiac rehabilitation services. In addition, we reviewed Marysville's cardiac rehabilitation services documentation, inpatient medical records, physician's referrals, and Medicare reimbursement data for all beneficiaries who received outpatient cardiac rehabilitation services from Marysville during CY 2001. Specifically, we reviewed Marysville'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 for review all of the cardiac rehabilitation claims submitted by Marysville for CY 2001.

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

## Methodology

We compared Marysville's current policies and procedures for outpatient cardiac rehabilitation to national Medicare coverage requirements and identified any differences. We documented how Marysville's staff provided direct physician supervision for cardiac rehabilitation services and verified that Marysville'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 Marysville's outpatient cardiac rehabilitation service documentation. We reviewed the medical records maintained by Marysville'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 Marysville's outpatient cardiac rehabilitation medical records. In addition, we determined if Medicare reimbursed Marysville 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 Marysville, 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 and April 2003 at Marysville, a rural 45-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, Marysville did not designate a physician to directly supervise the services provided by its cardiac rehabilitation staff. In addition, contrary to current Medicare requirements, we could not identify the physician professional services to which the cardiac rehabilitation services were provided "incident to." With regard to the $6,474 of Medicare claims paid for the 18 beneficiaries receiving services during CY 2001, no other problems were noted.

See Appendix A for a SUMMARY OF REVIEW.

## PHYSICIAN 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. However, there was no documentation in the Medical records of any supervisory presence at the rehabilitation unit. Furthermore, Marysville indicated that an emergency response team provides some supervision in emergency situations.

At Marysville no physicians were designated to provide direct physician supervision to the cardiac rehabilitation exercise area. Also, there was no documentation in the cardiac rehabilitation program's medical records to support direct physician supervision during exercise sessions. On a day-to-day basis, a registered nurse staffed the cardiac rehabilitation program as well as supervised the cardiac rehabilitation area.

The Marysville outpatient cardiac rehabilitation procedures did not require the medical director to constantly provide direct physician supervision during an exercise program or be immediately available in the exercise area for an emergency. Instead, Marysville utilized an emergency response team of physicians and staff to respond to any medical emergency that occurred throughout the hospital, including the cardiac rehabilitation exercise area. (However, there have been no emergencies for five years). 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 Marysville should work with BCBS of Kansas to ensure that the reliance placed on the emergency response team to provide this supervision specifically conforms to the Medicare 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 hospital 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 Marysville, we could not identify the physician professional services to which the cardiac rehabilitation services were provided "incident to." Marysville's policies and procedures did not provide a concise set of responsibilities between the directing physicians and cardiac rehabilitation staff concerning physician professional services. BCBS' interpretation of "incident to" provides the following guidelines:

> "In addition to coverage being available for the services of such auxiliary personnel as nurses, technicians, and therapists when furnished incident to the professional services of a physician, a physician may also have the services of certain nonphysician practitioners covered as services incident to a physician's professional services. These non-physician practitioners, who are being licensed by the States under various programs to assist or act in the place of the physician, include, for example, certified nurse midwives, clinical psychologists, clinical social workers, physician assistants, nurse practitioners, and clinical nurse specialists….
>
> Services performed by these nonphysician practitioners incident to a physician's professional services include not only services ordinarily rendered by a physician's office staff person (e.g., medical services such as taking blood pressures and temperatures, giving injections, and changing dressings) but also services ordinarily performed by the physician himself or herself such as minor surgery, setting casts or simple fractures, reading x-rays, and other activities that involve evaluation or treatment of a patient's condition.
>
> Nonetheless, in order for services of a nonphysician practitioner to be covered as incident to the services of a physician, the services must meet all of the requirements for coverage specified in §2050 through 2050.1. For example, the services must be an integral, although incidental, part of the physician's personal professional services, and they must be performed under the physician's direct supervision…."

According to the outpatient cardiac rehabilitation medical records, the physicians at the hospital conducted the program entrance requirements, 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 Marysville'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 hospital 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 Marysville's cardiac rehabilitation program did not meet the requirements to provide an "incident to" service.

## MEDICARE COVERED DIAGNOSES AND DOCUMENTATION

Medicare coverage criteria 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 patients' medical records.

For all 18 Medicare beneficiaries with claims for outpatient cardiac rehabilitation services amounting to $6,474 during CY 2001 we found that the medical records supported that the beneficiaries had Medicare covered cardiac diagnosis. Specifically, we found that the medical records supported a diagnosis of myocardial infarctions for 2 beneficiaries, coronary artery bypass for 15 beneficiaries, and stable angina pectoris for 1 beneficiary.

The records also identified referrals from attending physicians, staff providing services, and services provided. In addition, we determined all staff members were qualified based on their state licenses and the number of sessions for each beneficiary did not exceed the 36 CMS limit.

## RECOMMENDATIONS

We recommend that Marysville:

- Work with its Medicare FI, BCBS of Kansas, to ensure that Marysville'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.

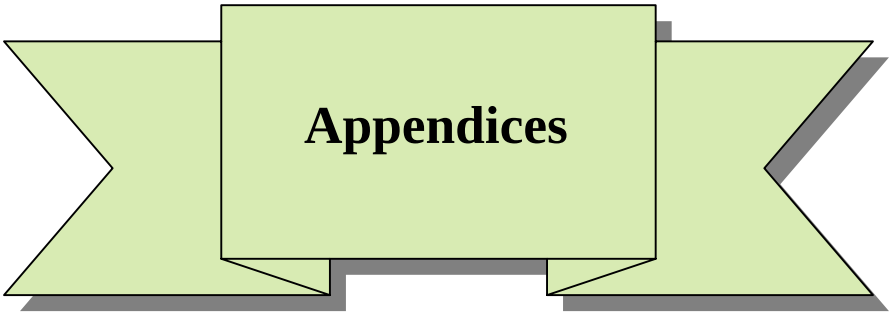
- Implement controls to ensure that medical records documentation is maintained to support Medicare outpatient cardiac rehabilitation services.

## MARYSVILLE'S COMMENTS

Marysville's took positive action addressing our recommendations. They contacted their FI on December 19, 2003 concerning the recommendations made in the report. They reemphasized their procedures for meeting the requirements for an "incident to" service. In addition, they stated that their cardiac rehabilitation services do have physician coverage, as physicians are immediately available in the event of an emergency. Marysville's response is included in its entirety as Appendix B.

## OFFICE OF INSPECTOR GENERAL'S RESPONSE

We commend Marysville for taking positive action in addressing our recommendations. They should continue to work with their FI concerning the issues of "incident to" and direct physician supervision.


Appendices

**APPENDIX A**

## SUMMARY OF REVIEW

The following table summarizes the errors identified during testing of our selected sample of 18 Medicare beneficiaries who received outpatient cardiac rehabilitation services from Marysville 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 Beneficiaries with Diagnosis | Number of Beneficiaries with Errors |
|---|---|---|
| **Myocardial Infarction** | 2 | 0 |
| **Coronary Artery Bypass Graft** | 15 | 0 |
| **Stable Angina Pectoris** | 1 | 0 |
| **Total** | **18** | **0** |

# COMMUNITY MEMORIAL HEALTHCARE, INC.

December 22, 2003

**REFERENCE REPORT # A-07-03-00156**

Mr. James P. Aasmundstad
Office of Inspector General
Offices of Audit Services, Region VII
Room 284A
Kansas City, MO 64106

Dear Mr. Aasmundstad:

The report entitled "Review of Cardiac Rehabilitation Services at CMH, Inc. Marysville, Kansas" has been received and addressed.

Vickie Haverkamp of Blue Cross Blue Shield of Kansas, our Medicare FI, was contacted per phone on December 19, 2003 concerning the recommendations made in the report.

The participant's personal physician is involved in the initial entrance requirements to Cardiac Rehabilitation and the exercise plan is established. In the event that the participant displays a new onset of signs and symptoms during rehabilitation, the personal physician is contacted which meets the requirements to provide an "Incident To" service.

CMH's Cardiac Rehabilitation Services does have physician coverage and they are immediately available in the event of an emergency.

If there are any questions please contact me at 785-562-2311, ext. 205.

Sincerely,

Joyce A. Maddox

Joyce A. Maddox, RN, BSN
Chief Nursing Officer
Community Memorial Healthcare, Inc.

CC: V. Haverkamp, BCBS of Kansas

# ACKNOWLEDGEMENTS

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

Tom Suttles, *Audit Manager*
Lloyd Schmeeckle, *Senior Auditor*
James Carter, *Auditor*
Kellie Neely, *Auditor*

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Gerald Thompson, *Independent Reviewer*
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