Department of Health and Human Services

**OFFICE OF INSPECTOR GENERAL**

# MOTHER FRANCES HOSPITAL INCORRECTLY BILLED MEDICARE INPATIENT CLAIMS WITH KWASHIORKOR

*Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.*

Stephen Virbitsky
Regional Inspector General
for Audit Services

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https://oig.hhs.gov

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## OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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

***Mother Frances Hospital incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of $780,000 over 4 years.***

# INTRODUCTION

## WHY WE DID THIS REVIEW

Kwashiorkor is a form of severe protein malnutrition. It generally affects children living in tropical and subtropical parts of the world during periods of famine or insufficient food supply. Cases in the United States are rare. The Medicare program provides health insurance coverage primarily to people aged 65 or older; however, for calendar years (CYs) 2010 and 2011, Medicare paid hospitals $711 million for claims that included a diagnosis code for Kwashiorkor. Therefore, we are conducting a series of reviews of hospitals with claims that include this diagnosis code.

## OBJECTIVE

Our objective was to determine whether Mother Frances Hospital (the Hospital) complied with Medicare billing requirements for Kwashiorkor.

## BACKGROUND

### The Medicare Program

Medicare Part A provides inpatient hospital insurance benefits and coverage of extended care services for patients after hospital discharge. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program. CMS contracts with Medicare contractors to, among other things, process and pay claims submitted by hospitals.

### Hospital Inpatient Prospective Payment System

CMS pays inpatient hospital costs at predetermined rates for patient discharges under the inpatient prospective payment system. The rates vary according to the diagnosis-related group (DRG) to which a beneficiary's stay is assigned and the severity level of the patient's diagnosis. The DRG payment is, with certain exceptions, intended to be payment in full to the hospital for all inpatient costs associated with the beneficiary's stay. The DRG and severity level are determined according to diagnoses codes established by the *International Classification of Diseases, Ninth Revision, Clinical Modification* (coding guidelines). The coding guidelines establish diagnosis code 260 for Kwashiorkor. Because Kwashiorkor is considered a high-severity diagnosis, using diagnosis code 260 may increase the DRG payment.

### Mother Frances Hospital

The Hospital, which is part of the Trinity Mother Frances Hospitals and Clinics, is a 404-bed acute-care not-for-profit community hospital located in Tyler, Texas. The Hospital received $7,928,476 in Medicare payments for inpatient hospital claims that included diagnosis code 260

for Kwashiorkor during our audit period (CYs 2010 through 2013) based on CMS's National Claims History data.

## HOW WE CONDUCTED THIS REVIEW

Our audit covered $2,045,971 of the $7,928,476 in Medicare payments to the Hospital for 160 of the 530 inpatient hospital claims that contained diagnosis code 260 for Kwashiorkor. We did not review the remaining 370 claims because the use of diagnosis code 260 did not change the Medicare payment. We also did not review managed care claims or claims that were under separate review. We evaluated compliance with selected Medicare billing requirements but did not use medical review to determine whether the services were medically necessary. This report does not represent an overall assessment of all claims submitted by the Hospital for Medicare reimbursement.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

See Appendix A for the details of our scope and methodology.

## FINDING

The Hospital did not comply with Medicare requirements for billing Kwashiorkor on any of the 160 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used either a code for another form of malnutrition or no malnutrition code at all. These errors resulted in overpayments totaling $779,541. Hospital officials attributed these errors to misinterpretation of the coding guidelines, issues with the medical coding software program used to code the diagnoses, and incorrect guidance from a third party consultant.

## FEDERAL REQUIREMENTS AND GUIDANCE

Medicare payments may not be made for items and services that "are not reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member" (The Social Security Act (the Act), § 1862(a)(1)(A)). In addition, the Act precludes payment to any provider of services or other person without information necessary to determine the amount due the provider (§ 1833(e)).

In addition, the *Medicare Claims Processing Manual* requires providers to complete claims accurately so that Medicare contractors may process them correctly and promptly (Pub. No. 100-04, chapter 1, § 80.3.2.2).

## INCORRECT USE OF THE DIAGNOSIS CODE FOR KWASHIORKOR

The Hospital did not comply with Medicare billing requirements for Kwashiorkor for all 160 claims we reviewed, resulting in overpayments of $779,541. The coding guidelines establish diagnosis code 260 for Kwashiorkor. However, our review did not support the billing of this diagnosis code. Hospital officials attributed these errors to misinterpretation of the coding guidelines, issues with the medical coding software program used to code the diagnoses, and incorrect guidance from a third party consultant.

## RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare program $779,541 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

## MOTHER FRANCES HOSPITAL COMMENTS

In written comments, the Hospital concurred with our finding that all 160 claims that we reviewed were incorrectly billed with a diagnosis code for Kwashiorkor. The Hospital described the action it has taken to refund the overpayments and strengthen internal controls over the billing of Kwashiorkor.

The Hospital's comments are included as Appendix B.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

Our audit covered $2,045,971 in Medicare payments to the Hospital for 160 inpatient claims that contained diagnosis code 260 for Kwashiorkor during the period January 1, 2010, through December 31, 2013. We did not review claims for which the diagnosis code 260 did not change the Medicare payment, managed care claims, or claims that were under separate review.

We limited our review of the Hospital's internal controls to those applicable to the coding of inpatient hospital claims because our objective did not require an understanding of all internal controls over the submission and processing of claims. We evaluated compliance with selected Medicare billing requirements, but did not use medical review to determine whether the services were medically necessary. We established reasonable assurance of the authenticity and accuracy of the data obtained from the National Claims History file, but we did not assess the completeness of the file.

This report does not represent an overall assessment of all claims submitted by the Hospital for Medicare reimbursement.

We conducted our review from April through August 2014.

### METHODOLOGY

To accomplish our objective, we:

- reviewed Federal laws, regulations, and guidance;
- extracted the Hospital's inpatient paid claims data from CMS's National Claims History file for the audit period;
- selected all paid claims that included the diagnosis code for Kwashiorkor (260);
- removed all managed care claims and any claims that were previously reviewed by a Recovery Audit Contractor;
- removed all claims for which the use of the diagnosis code for Kwashiorkor did not change the Medicare payment;
- reviewed available data from CMS's Common Working File for the selected claims to determine whether the claims had been cancelled or adjusted;
- repriced each selected claim in order to verify that the original payment by the CMS contractor was made correctly;

- requested that the Hospital conduct its own review of the 160 claims to determine whether the diagnosis code for Kwashiorkor was used correctly;

- reviewed the information that the Hospital provided;

- discussed the incorrectly coded claims with Hospital officials to determine the underlying causes of noncompliance with Medicare requirements; and

- discussed the results of our review with Hospital officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**APPENDIX B: MOTHER FRANCES HOSPITAL**

# TRINITY MOTHER FRANCES

## MOTHER FRANCES HOSPITAL

August 13, 2014

Report Number A-03-14-00006

Mr. Stephen Virbitsky
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services, Region III
Public Ledger Building, Suite 315
150 S. Independent Mall West
Philadelphia, PA 19106

Dear Mr. Virbitsky:

This letter is in response to your June 26, 2014 correspondence regarding the OIG's review of Medicare inpatient claims billed by Trinity Mother Frances Hospital ("TMFH") with diagnosis code 260 (Kwashiorkor). As requested, this letter sets forth TMFH's comments and concurrence with the OIG's review.

The OIG's review of Medicare claims submitted by TMFH during calendar years 2010 through 2013 found that TMFH submitted 160 claims which included code 260 (Kwashiorkor) and where thatdiagnosis code impacted the total Medicare payment to TMFH. In reviewing these claims, TMFH concluded that diagnosis code 260 (Kwashiorkor) was incorrectly used on each of the 160 claims listed, resulting in an overpayment to TMFH of $779,541. TMFH has notified Novitas, its Medicare Administrative Contractor, to begin the standard repayment process to re-adjudicate these claims and refund any overpayments. The OIG's report number will be referenced by TMFH.

As to the cause of the incorrect billing, TMFH attributes these errors to a misinterpretation of the coding guidelines for malnutrition which resulted from a lack of clarity surrounding the use of code 260 (Kwashiorkor) during the time period of the OIG's review. Both the software in use by TMFH at that time and guidance from third party consultants lead to the incorrect code assignment. In sum, these errors occurred despite TMFH's good faith efforts to code appropriately.

By way of corrective action to address this issue, TMFH has strengthened its internal controls and is providing, on an on-going basis, focused training by nationally recognized consultants with subject matter expertise to coders, clinical documentation staff and clinical providers on malnutrition documentation requirements. TMFH has also implemented a coding/billing claim

edit in its system that requires additional review for appropriate documentation of any claim with a provisional code of 260, which review must be performed before the billing process is finalized.

Trinity Mother Frances Hospital is committed to compliance with the Medicare rules and regulations. We thank you for the opportunity to correct these claims and be paid appropriately.

If you have any questions, please do not hesitate to contact me.

Sincerely,

*/Linda B Moore/*

Linda B. Moore
VP/General Counsel and Chief Compliance Officer
Trinity Mother Frances Hospitals and Clinics