DEPARTMENT OF HEALTH & HUMAN SERVICES **Office of Inspector General**

Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

May 3, 2010

Report Number: A-09-09-00103

Ms. Jared Adair
Senior Vice President
Medicare Operations, Medicare Division
Wisconsin Physicians Service Insurance Corporation
1717 West Broadway
Madison, WI 53713

Dear Ms. Adair:

Enclosed is the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Excessive Payments for Outpatient Services at Swedish Medical Center – Cherry Hill for Calendar Years 2004 Through 2007*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://oig.hhs.gov.

If you have any questions or comments about this report, please call Tom Lin, Senior Auditor, at (415) 437-8374 or Alice Norwood, Audit Manager, at (415) 437-8360. Please refer to report number A-09-09-00103 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Nanette Foster Reilly
Consortium Administrator
Consortium for Financial Management & Fee for Service Operations
Centers for Medicare & Medicaid Services
601 East 12th Street, Room 235
Kansas City, MO 64106

Department of Health & Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF EXCESSIVE PAYMENTS FOR OUTPATIENT SERVICES AT SWEDISH MEDICAL CENTER – CHERRY HILL FOR CALENDAR YEARS 2004 THROUGH 2007

Daniel R. Levinson
Inspector General

May 2010
A-09-09-00103

Office of Inspector General

http://oig.hhs.gov

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

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.

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XVIII of the Social Security Act, the Medicare program provides health insurance for people aged 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services, which administers the program, contracts with fiscal intermediaries to process and pay Medicare claims submitted by hospital outpatient departments.

Medicare uses an outpatient prospective payment system to pay for hospital outpatient services. Medicare guidance requires providers to bill accurately using proper Healthcare Common Procedure Coding System codes and to report units of service as the number of times that a service or procedure was performed.

Wisconsin Physicians Service Insurance Corporation (WPS) serves as a fiscal intermediary. WPS is the fiscal intermediary for Swedish Medical Center – Cherry Hill (Cherry Hill), a hospital located in Seattle, Washington. We reviewed 14 Medicare outpatient payments to Cherry Hill with paid amounts that exceeded charges by $500 or more for calendar years 2004 through 2007.

OBJECTIVE

Our objective was to determine whether selected Medicare outpatient claims from Cherry Hill in which payments exceeded charges were appropriate.

SUMMARY OF FINDING

All of Cherry Hill's 14 Medicare outpatient claims in which payments exceeded charges were inappropriate. For six of these claims, the error had no impact on the payment amount. For the eight remaining claims, Cherry Hill received overpayments totaling $102,690.

According to Cherry Hill, the overpayments occurred because the hospital did not have adequate controls in place to ensure proper billing of outpatient services. However, Cherry Hill stated that it had improved its controls by implementing an electronic medical record system. Cherry Hill further stated that it had developed additional levels of claims review, including a review of claims with payment amounts exceeding charges.

RECOMMENDATION

We recommend that WPS recover the $102,690 in identified overpayments.

FISCAL INTERMEDIARY COMMENTS

In its comments on our draft report, WPS stated that it had recovered the identified overpayments and the associated interest. WPS's comments are included in their entirety as the Appendix.

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FISCAL INTERMEDIARY COMMENTS

INTRODUCTION

BACKGROUND

Pursuant to Title XVIII of the Social Security Act, the Medicare program provides health insurance for people aged 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services (CMS) administers the program.

Medicare Fiscal Intermediaries

CMS contracts with fiscal intermediaries to, among other things, process and pay Medicare claims submitted by hospital outpatient departments. The fiscal intermediaries' responsibilities include determining reimbursement amounts, conducting reviews and audits, and safeguarding against fraud and abuse. Wisconsin Physicians Service Insurance Corporation (WPS) serves as a fiscal intermediary.

Outpatient Prospective Payment System

Pursuant to the Balanced Budget Act of 1997, P.L. No. 105-33, CMS implemented an outpatient prospective payment system (OPPS) for hospital outpatient services. This system applies to services furnished on or after August 1, 2000. Medicare guidance requires providers to bill accurately using proper Healthcare Common Procedure Coding System (HCPCS) codes and to report units of service as the number of times that a service or procedure was performed.

Swedish Medical Center – Cherry Hill

Swedish Medical Center – Cherry Hill (Cherry Hill) is a hospital located in Seattle, Washington. WPS processes and pays Cherry Hill's Medicare outpatient claims.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether selected Medicare outpatient claims from Cherry Hill in which payments exceeded charges were appropriate.

Scope

We identified and reviewed 14 Medicare outpatient claims from Cherry Hill in which payments exceeded charges by $500 or more for calendar years (CY) 2004 through 2007. For these claims, Cherry Hill received Medicare payments totaling $177,381.

We did not review Cherry Hill's internal controls applicable to the 14 claims because our objective did not require an understanding of controls over the submission of claims. Our review allowed us to establish reasonable assurance of the authenticity and accuracy of the data obtained

from CMS's National Claims History file for CYs 2004 through 2007, but we did not assess the completeness of the file.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- used CMS's National Claims History file to identify Medicare outpatient claims in which payments exceeded charges by $500 or more;
- contacted Cherry Hill to determine whether the identified outpatient services were billed correctly and, if not, why the services were billed incorrectly;
- obtained and reviewed adjusted claims from Cherry Hill that supported the identified outpatient services; and
- calculated overpayments using corrected payment information processed by WPS.

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 finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATION

All of Cherry Hill's 14 Medicare outpatient claims in which payments exceeded charges were inappropriate. For six of these claims, the error had no impact on the payment amount. For the eight remaining claims, Cherry Hill received overpayments totaling $102,690. According to Cherry Hill, the overpayments occurred because the hospital did not have adequate controls in place to ensure proper billing of outpatient services.

MEDICARE REQUIREMENTS

Section 9343(g) of the Omnibus Budget Reconciliation Act of 1986, P.L. No. 99-509, requires hospitals to report claims for outpatient services using HCPCS codes. CMS's *Medicare Claims Processing Manual*, Pub. No. 100-04 (the Manual), chapter 1, section 80.3.2.2, states: "In order to be processed correctly and promptly, a bill must be completed accurately."

INAPPROPRIATE CLAIMS FOR OUTPATIENT SERVICES

For CYs 2004 through 2007, all of Cherry Hill's 14 Medicare outpatient claims in which payments exceeded charges were inappropriate. For 8 of the 14 claims, Cherry Hill received overpayments totaling $102,690. Specifically, Cherry Hill stated the following:

- For four claims, Cherry Hill billed for a replacement device without the required FB modifier[1] and applicable condition codes.[2]

- For two claims, Cherry Hill billed for an injection of reteplase rather than an application of a small dose for cleaning catheters.

- For one claim, Cherry Hill billed for a replacement device rather than a pacing lead.

- For one claim, Cherry Hill billed for a service provided to a research study patient that should not have been billed to Medicare.

For the six remaining claims, Cherry Hill billed without the required modifier. However, when Cherry Hill adjusted the claims to include the modifier, the payment amounts did not change.

According to Cherry Hill, the overpayments occurred because the hospital did not have adequate controls in place to ensure the proper billing of outpatient services. However, Cherry Hill stated that it had improved its controls by implementing an electronic medical record system. Cherry Hill further stated that it had developed additional levels of claims review, including a review of claims with payment amounts exceeding charges.

RECOMMENDATION

We recommend that WPS recover the $102,690 in identified overpayments.

FISCAL INTERMEDIARY COMMENTS

In its comments on our draft report, WPS stated that it had recovered the identified overpayments and the associated interest. WPS's comments are included in their entirety as the Appendix.

[1] The FB modifier applies to items furnished without cost to the provider, supplier, or practitioner. The Manual, chapter 4, section 20.6.9, requires that OPPS hospitals report the FB modifier on the same line as the procedure code for a service that requires a device for which neither the hospital nor the beneficiary is liable to the manufacturer.

[2] A condition code is used to identify conditions relating to a bill that may affect payer processing.

APPENDIX

APPENDIX: FISCAL INTERMEDIARY COMMENTS

CMS/ CENTERS for MEDICARE & MEDICAID SERVICES

Medicare

April 23, 2010

Ms. Lori A. Ahlstrand
Regional Inspector General Audit Services
Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

RE: Office of Inspector General (OIG) Draft Report – A-09-09-00103

Dear Ms. Ahlstrand,

This letter is in response to the OIG draft report titled "Review of Excessive Payments for Outpatient Services at Swedish Medical Center – Cherry Hill for Calendar Years 2004 through 2007."

OIG reviewed fourteen Medicare outpatient claims, in which payments exceeded charges were inappropriate. For six of these claims, the error had no impact on the payment. For the eight remaining claims, Cherry Hill received overpayments totaling $102,690.

OIG Recommendations to WPS:

- *Recover the $102,690 in identified overpayments*

WPS has confirmed the overpayment amount relating to the eight claims was $102,690.43. WPS has adjusted the eight claims and recovered $103,618.69 (including $928.26 in interest) relating to the identified overpayments.

If you have any questions or need additional information, please contact me at 402-351-6915.

Sincerely,

Mark DeFoil
Director, Contract Coordination

cc: John Phelps, CMS
Lisa Goschen, CMS