



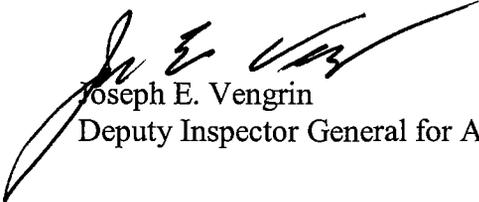
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUN 15 2007

TO: Leslie V. Norwalk, Esq.
Acting Administrator
Centers for Medicare & Medicaid Services

FROM: 
Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Review of Billing Procedures for Medicare Claims Submitted to AdminaStar Federal by Inpatient Psychiatric Facilities During 2005 (A-01-07-00500)

Attached is an advance copy of our final report on inpatient psychiatric facilities' (IPF) billing procedures for Medicare claims submitted to AdminaStar Federal (AdminaStar) during 2005. We will issue this report to AdminaStar within 5 business days.

The Centers for Medicare & Medicaid Services (CMS) implemented a prospective payment system for IPFs for IPF cost reporting periods beginning on or after January 1, 2005. Before this date, Medicare based payments to IPFs on a reasonable cost per discharge, pursuant to section 101(a) of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).

Under the prospective payment system, IPFs must submit a single discharge bill for an entire inpatient stay. CMS instructions state that if the beneficiary's stay begins before and ends on or after the date on which the IPF becomes subject to the prospective payment system, the fiscal intermediary should base its payments to the facility on prospective payment rates and rules. We refer to these stays as "transition stays." The instructions also state that IPFs must cancel all split bills and then rebill the fiscal intermediary after the cancellation has been accepted.

AdminaStar is the Medicare Part A fiscal intermediary for Illinois, Indiana, Ohio, and Kentucky. In 2005, 224 IPFs were under AdminaStar's administrative responsibility.

Our objective was to determine whether IPFs properly submitted Medicare claims paid by AdminaStar for transition stays.

IPFs did not always properly submit claims paid by AdminaStar for transition stays in 2005. Specifically, for 76 of the 100 claims that we sampled (from the population of 638 claims), IPFs incorrectly split the beneficiary's stay by submitting 1 claim under the TEFRA payment period and a second claim under the prospective payment period, rather than properly submitting 1 claim for the entire inpatient stay. These 76 claims represented overpayments of \$340,858 because the prospective payment included part of the TEFRA payment. Of the remaining

24 sampled claims, 21 were correctly billed because the beneficiaries had no immediately preceding IPF stay (i.e., the IPF stay started on the same date as the IPF transition to the prospective payment system). The remaining three claims were originally split billed, but the IPFs canceled the split bills and submitted correct bills before our audit.

Based on our sample results, we estimate that AdminaStar overpaid IPFs a total of \$2.17 million for incorrectly billed Medicare claims for transition stays in 2005. The payment errors occurred because the IPFs did not have adequate controls to ensure that claims submitted during their transition to the prospective payment system were in accordance with Medicare requirements. Additionally, AdminaStar did not have procedures to identify IPF claims that were billed as two separate claims for one transition stay.

We recommend that AdminaStar:

- make the appropriate adjustments to the sampled claims that resulted in overpayments of \$340,858,
- review our information on the additional 538 claims with potential overpayments estimated at \$1.83 million (\$2.17 million less \$340,858) and work with the IPFs that provided the services to recover any overpayments, and
- analyze postpayment data from IPF claims submitted after our review to ensure that the claims were billed properly and paid correctly by AdminaStar.

In its comments on our draft report, AdminaStar agreed with our findings and recommendations and stated that it was taking appropriate action.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through e-mail at George.Reeb@oig.hhs.gov or Michael J. Armstrong, Regional Inspector General for Audit Services, Region I, at (617) 565-2684 or through e-mail at Michael.Armstrong@oig.hhs.gov. Please refer to report number A-01-07-00500 in all correspondence.

Attachment



JUN 19 2007

Office of Audit Services
Region I
John F. Kennedy Federal
Building
Room 2425
Boston, MA 02203
(617) 565-2684

Report Number: A-01-07-00500

Mr. Michael McCarron
President
National Government Services, Inc.
8115 Knue Road
Indianapolis, Indiana 46250-1936

Dear Mr. McCarron:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Billing Procedures for Medicare Claims Submitted to AdminaStar Federal by Inpatient Psychiatric Facilities During 2005." A copy of this report will be forwarded to the HHS action official noted on the next 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 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 reports issued to the Department's grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

If you have any questions or comments about this report, please do not hesitate to contact me at (617) 565-2684 or through e-mail at Michael.Armstrong@oig.hhs.gov. Please refer to report number A-01-07-00500 in all correspondence.

Sincerely,

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Charlotte S. Yeh, M.D.
Regional Administrator
Centers for Medicare & Medicaid Services, Region I
Department of Health and Human Services
JFK Federal Building, Room 2325
Boston, Massachusetts 02203

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF BILLING
PROCEDURES FOR MEDICARE
CLAIMS SUBMITTED TO
ADMINASTAR FEDERAL BY
INPATIENT PSYCHIATRIC
FACILITIES DURING 2005**



Daniel R. Levinson
Inspector General

June 2007
A-01-07-00500

Office of Inspector General

<http://oig.hhs.gov>

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In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

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 HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

Pursuant to sections 1886(d)(1)(B)(i) and (v) of the Social Security Act, the Centers for Medicare & Medicaid Services (CMS) implemented a prospective payment system for inpatient psychiatric facilities (IPF) for IPF cost reporting periods beginning on or after January 1, 2005. Before this date, Medicare paid IPFs for services provided to Medicare beneficiaries pursuant to section 101(a) of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Under TEFRA, Medicare based payments to IPFs on a reasonable cost per discharge, as determined by IPFs' Medicare cost reports. When fully implemented, the IPF prospective payment system will provide for a standardized Federal per diem payment per discharge.

Under the prospective payment system, IPFs must submit a single discharge bill for an entire inpatient stay. CMS instructions state that if the beneficiary's stay begins before and ends on or after the date on which the IPF becomes subject to the prospective payment system, the fiscal intermediary should base its payments to the facility on prospective payment rates and rules. We refer to these stays as "transition stays." The instructions also state that IPFs that split the stay and submit two separate claims must cancel the split bills and then rebill the fiscal intermediary after the cancellation has been accepted.

AdminaStar Federal (AdminaStar) is the Medicare Part A fiscal intermediary for Illinois, Indiana, Ohio, and Kentucky. In 2005, 224 IPFs were under AdminaStar's administrative responsibility.

OBJECTIVE

Our objective was to determine whether IPFs properly submitted Medicare claims paid by AdminaStar for transition stays.

SUMMARY OF FINDINGS

IPFs did not always properly submit claims paid by AdminaStar for transition stays in 2005. Specifically, for 76 of the 100 claims that we sampled (from the population of 638 claims), IPFs incorrectly split the beneficiary's stay by submitting 1 claim under the TEFRA payment period and a second claim under the prospective payment period, rather than properly submitting 1 claim for the entire inpatient stay. These 76 claims represented overpayments of \$340,858 because the prospective payment included part of the TEFRA payment. Of the remaining 24 sampled claims, 21 were correctly billed because the beneficiaries had no immediately preceding IPF stay (i.e., the IPF stay started on the same date as the IPF transition to the prospective payment system). The remaining three claims were originally split billed, but the IPFs canceled the split bills and submitted correct bills before our audit.

Based on our sample results, we estimate that AdminaStar overpaid IPFs a total of \$2.17 million for incorrectly billed Medicare claims for transition stays in 2005. The payment errors occurred because the IPFs did not have adequate controls to ensure that claims submitted during their

transition to the prospective payment system were in accordance with Medicare requirements. Additionally, AdminaStar did not have procedures to identify IPF claims that were billed as two separate claims for one transition stay.

RECOMMENDATIONS

We recommend that AdminaStar:

- make the appropriate adjustments to the sampled claims that resulted in overpayments of \$340,858,
- review our information on the additional 538 claims with potential overpayments estimated at \$1.83 million (\$2.17 million less \$340,858) and work with the IPFs that provided the services to recover any overpayments, and
- analyze postpayment data from IPF claims submitted after our review to ensure that the claims were billed properly and paid correctly by AdminaStar.

AUDITEE'S COMMENTS

In its comments on our draft report, AdminaStar agreed with our findings and recommendations and stated that it was taking appropriate action. We have included AdminaStar's comments in their entirety as Appendix B.

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INTRODUCTION

BACKGROUND

The Prospective Payment System for Inpatient Psychiatric Facilities

Pursuant to sections 1886(d)(1)(B)(i) and (v) of the Social Security Act, the Centers for Medicare & Medicaid Services (CMS) implemented a prospective payment system for inpatient psychiatric facilities (IPF) for IPF cost reporting periods beginning on or after January 1, 2005. Before this date, Medicare paid IPFs for services provided to Medicare beneficiaries pursuant to section 101(a) of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Under TEFRA, Medicare based payments to IPFs on a reasonable cost per discharge, as determined by IPFs' Medicare cost reports. These fixed payments did not vary from day to day or from patient to patient.

For IPF cost-reporting periods from January 1, 2005, through January 1, 2008, while the new prospective payment system is being phased in, Medicare payments comprise a blend of the estimated payment under the new system and the fixed TEFRA payment. When fully implemented, the IPF prospective payment system will provide for a standardized Federal per diem payment per discharge. The amount of this payment is based on several factors, including the patient's age and diagnosis and the hospital's characteristics. The prospective payment represents reimbursement in full for the inpatient operating and capital-related costs of furnishing Medicare-covered services in an IPF.

Under the prospective payment system, IPFs must submit a single discharge bill for an entire inpatient stay. CMS instructions issued in Transmittal 384 state that if the beneficiary's stay begins before and ends on or after the date on which the IPF becomes subject to the prospective payment system, the fiscal intermediary should base its payments to the facility on prospective payment rates and rules. We refer to these stays as "transition stays." The CMS instructions also state that IPFs that split the stay and submit two separate claims must cancel the split bills and then rebill the fiscal intermediary after the cancellation has been accepted.

AdminaStar Federal

AdminaStar Federal (AdminaStar)¹ is the Medicare Part A fiscal intermediary for Illinois, Indiana, Ohio, and Kentucky. In 2005, 224 IPFs were under AdminaStar's administrative responsibility.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether IPFs properly submitted Medicare claims paid by AdminaStar for transition stays.

¹On January 1, 2007, AdminaStar Federal changed its name to National Government Services, Inc.

Scope

We reviewed Medicare claims that AdminaStar paid for inpatient stays that started on or overlapped each IPF's transition date to the prospective payment system.

Our objective did not require an understanding or assessment of the complete internal control structure of the selected IPFs or AdminaStar. We limited our review of internal controls to obtaining an understanding of (1) IPFs' procedures for submitting claims that spanned the transition from payments under TEFRA to payments under the prospective payment system and (2) AdminaStar's policies and procedures for paying IPF claims during this transition.

We performed our fieldwork from October 2006 through January 2007. Our fieldwork included site visits to two IPFs in Cleveland, Ohio.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare requirements and CMS guidance regarding IPF billing and fiscal intermediary payments for transition stays;
- used IPFs' cost report start dates to identify the date on which each IPF began implementing the prospective payment system;
- reviewed CMS's Standard Analytical File for the period January 1 through October 1, 2005, and identified 638 paid claims totaling \$4.2 million from 139 IPFs that had a claim "from" date (i.e., the date that the stay began) that matched the IPF's transition date;
- reviewed CMS's Common Working File information for 100 randomly sampled claims totaling \$679,773 from the population of 638 IPF claims paid by AdminaStar to determine whether the beneficiary's stay was immediately preceded by a stay at the same IPF (i.e., whether the beneficiary had a stay that overlapped the IPF's transition to the new payment system);
- reviewed the overlapping claims that we had identified to determine whether AdminaStar had reimbursed IPFs under both TEFRA and the prospective payment system for the same stay;
- contacted 10 IPFs to determine the cause of the incorrect billing;
- calculated the effect of the incorrect billing by using CMS's Pricer program and AdminaStar's provider-specific information;
- used a statistical projection, as detailed in Appendix A, to estimate the total value of overpayments based on our sample results; and

- discussed the results of our review with AdminaStar officials.

We conducted our audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

IPFs did not always properly submit Medicare claims paid by AdminaStar for transition stays in 2005. Specifically, for 76 of the 100 claims that we sampled, IPFs incorrectly split the beneficiary's stay by submitting 1 claim under the TEFRA payment period and a second claim under the prospective payment period, rather than properly submitting 1 claim for the entire inpatient stay. These 76 claims resulted in overpayments of \$340,858 because the prospective payment included part of the TEFRA payment. Of the remaining 24 sampled claims, 21 were correctly billed because the beneficiaries had no immediately preceding IPF stay (i.e., the IPF stay started on the same date as the IPF transition to the prospective payment system). The remaining three claims were originally split billed, but the IPFs canceled the split bills and submitted correct bills before our audit.

Based on our sample results, we estimate that AdminaStar overpaid IPFs a total of \$2.17 million for incorrectly billed Medicare claims for transition stays in 2005. The payment errors occurred because the IPFs did not have adequate controls to ensure that claims submitted during their transition to the prospective payment system were in accordance with Medicare requirements. Additionally, AdminaStar did not have procedures to identify IPF claims that were billed as two separate claims for one transition stay.

PROGRAM REQUIREMENTS

Pursuant to 42 CFR § 412.422, when the IPF prospective payment system is fully implemented, it will provide for a standardized Federal per diem payment per discharge. To receive this payment, an IPF must submit a single discharge bill for an entire inpatient stay.

CMS guidance, as set forth in Transmittal 384, dated December 1, 2004, states that when a beneficiary's stay overlaps the time in which the IPF becomes subject to the prospective payment system rules, the payment will be based on the prospective payment system rates and rules. This guidance also states that IPFs should not split the stay and submit two separate claims. IPFs that do so must cancel all split bills and then rebill the fiscal intermediary after the cancellation has been accepted.

SPLIT BILLING DURING THE TRANSITION TO THE PROSPECTIVE PAYMENT SYSTEM

We identified 638 claims paid to 139 IPFs for stays that were at high risk of being incorrectly billed because they started on or overlapped the IPF transition date to the prospective payment system. Our sample of 100 of these claims identified 76 claims from 53 IPFs for beneficiaries who had an immediately preceding stay in the same IPF. Thus, these claims were for beneficiaries who had a single stay that overlapped the IPF transition to the prospective payment system. The IPFs incorrectly billed these 76 claims by splitting them into 152 separate claims.

As a result of the incorrect billing, AdminaStar paid the IPFs two separate payments, one under the TEFRA payment period and one under the prospective payment period, for each transition stay. In accordance with Medicare requirements, the IPFs should have billed each stay as a single claim under the prospective payment system. The 53 IPFs that submitted split bills received overpayments because the prospective payment included part of the TEFRA payment. AdminaStar overpaid the 53 IPFs \$340,858 for the 76 claims.

For example, an IPF that transitioned to the prospective payment system on January 1, 2005, incorrectly billed two separate claims for one patient discharge instead of correctly billing one claim for the entire stay. The IPF billed one claim of \$25,144 for December 4, 2004, through December 31, 2004, and the other claim of \$11,552 for January 1, 2005, through February 3, 2005. The total split reimbursement amount was \$36,696. The IPF should have billed one claim for one inpatient stay totaling \$17,977. Because the IPF split the stay into two claims, Medicare overpaid the IPF \$18,719.

PAYMENT ERRORS RESULTING FROM INCORRECT BILLING

Based on our sample results, we estimate that AdminaStar overpaid IPFs a total of \$2.17 million for incorrectly billed claims for transition stays in 2005.

INTERNAL CONTROL WEAKNESSES

Controls at the 10 IPFs that we contacted were inadequate to facilitate proper billing during the transition to the prospective payment system. Specifically, these IPFs either were not aware of or did not follow CMS's final billing requirements and therefore had not established the necessary controls to ensure that they submitted claims correctly for transition stays. AdminaStar paid the incorrectly billed IPF claims because it had not established procedures to identify claims that were billed as two separate claims for one transition stay.

RECOMMENDATIONS

We recommend that AdminaStar:

- make the appropriate adjustments to the sampled claims that resulted in overpayments of \$340,858,
- review our information on the additional 538 claims with potential overpayments estimated at \$1.83 million (\$2.17 million less \$340,858) and work with the IPFs that provided the services to recover any overpayments, and
- analyze postpayment data from IPF claims submitted after our review to ensure that the claims were billed properly and paid correctly by AdminaStar.

AUDITEE'S COMMENTS

In its comments on our draft report, AdminaStar agreed with our findings and recommendations and stated that it was taking appropriate action. We have included AdminaStar's comments in their entirety as Appendix B.

APPENDIXES

SAMPLING METHODOLOGY, RESULTS, AND PROJECTIONS

OBJECTIVE

Our objective was to determine whether inpatient psychiatric facilities (IPF) properly submitted Medicare claims paid by AdminaStar Federal for transition stays.

POPULATION

The population consisted of 638 paid claims from the Centers for Medicare & Medicaid Services Standard Analytical File for the period January 1 through October 1, 2005, from 139 IPFs that had a paid claim “from” date (i.e., the date that the stay began) that matched the IPF’s transition date.

SAMPLE DESIGN

We used a simple random sample design.

SAMPLE SIZE

The sample consisted of 100 claims that had a paid claim “from” date that matched the IPF’s transition date.

SAMPLE RESULTS

For 76 of the 100 sampled claims, the IPFs had incorrectly split the beneficiary’s stay into 2 claims and received overpayments totaling \$340,858.

SAMPLE PROJECTIONS

Point estimate	\$2,174,673
Confidence level	90%
Lower confidence limit	\$1,694,767
Upper confidence limit	\$2,654,578
Sample precision	22.07%



National Government Services, Inc.
8115 Knue Road
Indianapolis, Indiana 46250-1936

A CMS Contracted Agent

Medicare

May 3, 2007

Mr. Michael J. Armstrong
Regional Inspector General
Office of Inspector General
Region I, Room 2425
John F. Kennedy Federal Building
Boston, MA 02203

Re: Report Number: A-01-07-00500

Dear Mr. Armstrong:

National Government Services, Inc. has reviewed your report "Review of Inpatient Psychiatric Facility Claims Paid under the Administrative Responsibility of AdminaStar Federal During 2005" in which you identified overpayments of \$2.17 million for Inpatient Psychiatric Facilities (IPFs), and we concur with your findings.

We would like to offer the following information to be included in your report:

The issue began when the new Inpatient Psychiatric Facility Prospective Payment System was not available for implementation which began on or after January 1, 2005 (cost reporting periods beginning on or after January 1, 2005.) Providers were still paid under the old per diem methodology until the release was installed April 1, 2005. Also during this time, there was a Fiscal Intermediary Shared System (FISS) edit that required IPF to split the bill on their fiscal year end. Therefore, the IPFs had to split bill to receive interim payment.

Once the new pricing was installed, NGS identified all claims for dates of service January 1, 2005 and after and correctly adjusted the claims to reflect the new price. At the time this occurred, NGS did not realize that the split billing had occurred and did not perform the necessary adjustments for those claims until February 2007. All monies inappropriately paid have been recovered on the 538 claims identified. In addition, educational materials were again provided in March 2007. We will conduct a post payment review of IPF claims to validate that all billings submitted since the OIG review are correct.

Should you have further comments and/or questions, please contact Sarah Litteral at 502-329-8584.

Sincerely,

Christine Beard,
Regional Vice President, Claims and Operations

cc: Michael McCarron, President, National Government Services, Inc.
Sarah Litteral, Director, Part A/RHHI Claims