

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**WING MEMORIAL HOSPITAL DID NOT
ALWAYS BILL CORRECTLY FOR
EVALUATION AND MANAGEMENT
SERVICES RELATED TO DIAGNOSTIC OR
THERAPEUTIC PROCEDURES AND
SUPARTZ INJECTIONS**

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David Lamir
Acting Regional Inspector
General

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Office of Inspector General

<https://oig.hhs.gov>

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

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EXECUTIVE SUMMARY

Wing Memorial Hospital did not fully comply with Medicare requirements for billing outpatient evaluation and management services, resulting in estimated overpayments of \$104,000 over approximately 3 years.

WHY WE DID THIS REVIEW

A prior Office of Inspector General review found that Wing Memorial Hospital (the Hospital) did not fully comply with Medicare billing requirements for selected outpatient claims for evaluation and management (E&M) services billed with diagnostic or therapeutic surgical procedures and E&M services billed with Supartz injections. Therefore, in collaboration with the Hospital, we selected additional claims of these types to review.

The objective of this review was to determine whether the Hospital complied with Medicare requirements for E&M services billed with diagnostic or therapeutic surgical procedures and E&M services billed with Supartz injections.

BACKGROUND

Medicare Part B reimburses hospitals and physicians for certain procedures, such as Supartz injections for treatment of knee osteoarthritis, administered to program beneficiaries when the procedures are performed in hospital outpatient settings. In addition to reimbursement for the procedure, hospitals and physicians may be eligible for an additional payment for a separate E&M service. The additional payment reimburses (1) hospitals for overhead expenses associated with furnishing E&M services to program beneficiaries when the services are performed in hospital outpatient settings and (2) physicians for their professional E&M services related to medical and surgical procedures they provide in hospital outpatient settings.

The *Medicare Claims Processing Manual* (the Manual) states that documentation should support the level of service reported (Pub. No. 100-04, chapter 12, § 30.6.1 (A)). In addition, the Manual states that a Medicare contractor pays for an E&M service that is significant, separately identifiable, and above and beyond the usual preoperative and postoperative care associated with the procedure that was performed (section 30.6.6(B)).

The Hospital is a 74-bed hospital located in Palmer, Massachusetts. The Hospital bills its Medicare contractor for the overhead associated with outpatient medical services performed at the Hospital and on behalf of its physicians for the professional services that they perform in the Hospital's outpatient setting.

Our current audit covered \$658,204 in Medicare payments to the Hospital for 10,250 outpatient hospital E&M services. These services had dates of service from January 2, 2009, through March 2, 2012.

WHAT WE FOUND

The Hospital did not always comply with Medicare requirements for selected outpatient claims for E&M services billed with diagnostic or therapeutic surgical procedures and E&M services billed with Supartz injections. We verified that the Hospital correctly billed Medicare for 47 of the 156 E&M services in the Hospital's review of 100 statistically sampled E&M services billed with diagnostic or therapeutic surgical procedures and 56 E&M services billed with Supartz injections. However, we verified that the Hospital incorrectly billed for the remaining 109 E&M services. The incorrect billing resulted in overpayments of \$4,758. Based on these results, the Hospital estimated that it received Medicare overpayments of \$104,450 for the period January 2, 2009, through March 2, 2012. Overpayments occurred because Hospital staff did not fully understand Medicare requirements for separately billable E&M services and did not have the necessary education to code the correct level of E&M service.

WHAT WE RECOMMEND

We recommend that the Hospital:

- refund to the Medicare contractor \$101,138 in estimated overpayments for E&M services billed with diagnostic or therapeutic surgical procedures,
- refund to the Medicare contractor \$3,312 for 54 outpatient Supartz injections incorrectly billed with E&M services,
- refund to the Medicare contractor any overpayments related to the physician professional component of the sampled E&M services incorrectly billed with diagnostic or therapeutic surgical procedures and E&M services related to Supartz injections, and
- strengthen its staff education regarding the appropriate billing of E&M services.

WING MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, the Hospital generally concurred with our findings and recommendations. The Hospital stated that it would refund the E&M overpayments related to the extrapolated sample and Supartz injections and make any adjustments to the related Part B physician claims. The Hospital also stated that it has taken steps to strengthen its controls.

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INTRODUCTION

WHY WE DID THIS REVIEW

A prior Office of Inspector General review found that Wing Memorial Hospital (the Hospital) did not fully comply with Medicare billing requirements for selected outpatient claims for evaluation and management (E&M) services billed with diagnostic or therapeutic surgical procedures and E&M services billed with Supartz injections.¹ Therefore, in collaboration with the Hospital, we selected additional claims of these types to review.

OBJECTIVE

Our objective was to determine whether the Hospital complied with Medicare requirements for E&M services billed with diagnostic or therapeutic surgical procedures and E&M services billed with Supartz injections.

BACKGROUND

Medicare Part B reimburses hospitals and physicians for certain procedures, such as Supartz injections for treatment of knee osteoarthritis, administered to program beneficiaries when the procedures are performed in hospital outpatient settings. In addition to reimbursement for the procedure, hospitals and physicians may be eligible for an additional payment for a separate E&M service. The additional payment reimburses (1) hospitals for overhead expenses associated with furnishing E&M services to program beneficiaries when the services are performed in hospital outpatient settings and (2) physicians for their professional E&M services related to medical and surgical procedures they provide in hospital outpatient settings.

The Centers for Medicare & Medicaid Services (CMS) contracts with Medicare contractors to, among other things, process and pay claims submitted by hospitals.

E&M services are visits and consultations furnished by physicians to new or established patients. During a visit, the physician evaluates the patient by using the presenting illness and clinical judgment regarding the patient's condition to determine the options available to manage the illness. An E&M service has three required elements in which the physician must (1) review the history of the illness with the patient, (2) examine the patient, and (3) make a medical decision to manage the illness.

¹ *Medicare Compliance Review of Wing Memorial Hospital for Calendar Years 2009 and 2010* (A-01-11-00536).

Evaluation and Management Services

The *Medicare Claims Processing Manual* (the Manual) states that documentation should support the level of service reported (Pub. No. 100-04, chapter 12, § 30.6.1 (A)). In addition, the Manual states that a Medicare contractor pays for an E&M service that is significant, separately identifiable, and above and beyond the usual preoperative and postoperative care associated with the procedure that was performed (section 30.6.6(B)).

Wing Memorial Hospital

The Hospital is a 74-bed hospital located in Palmer, Massachusetts. The Hospital bills its Medicare contractor for the overhead associated with outpatient medical services performed at the Hospital and on behalf of its physicians for the professional services that they perform in the Hospital's outpatient setting.

HOW WE CONDUCTED THIS REVIEW

Our current audit covered \$658,204 in Medicare payments to the Hospital for 10,250 outpatient hospital E&M services. These services had dates of service from January 2, 2009, through March 2, 2012. We focused our review on E&M services associated with diagnostic or therapeutic surgical procedures and Supartz injections,² which we identified in our prior review at the Hospital. Our current review does not attempt to quantify possible overpayments related to physician Part B payments for E&M services.³ We limited our review of the Hospital's internal controls to those applicable for billing selected E&M services. Our review enabled us to establish 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.

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 A contains the details of our scope and methodology.

² Supartz is a highly purified sodium hyaluronate solution that health care providers inject into the knee joint for the treatment of osteoarthritis.

³ Hospital officials had agreed to separately identify the professional component involved with these E&M overpayments on behalf of the Hospital's physicians and appropriately reimburse the Medicare contractor.

FINDINGS

The Hospital did not always comply with Medicare requirements for selected outpatient claims for E&M services billed with diagnostic or therapeutic surgical procedures and E&M services billed with Supartz injections. We verified that the Hospital correctly billed Medicare for 47 of the 156 E&M services in the Hospital's review of 100 statistically sampled E&M services billed with diagnostic or therapeutic surgical procedures and 56 E&M services billed with Supartz injections. However, we verified that the Hospital incorrectly billed for the remaining 109 E&M services. The incorrect billing resulted in overpayments of \$4,758. Specifically, the Hospital incorrectly billed Medicare for:

- 55 of 100 sampled E&M services with diagnostic or therapeutic surgical procedures, with overpayments of \$1,446, and
- 54 of 56 selected E&M services with Supartz injections, with overpayments of \$3,312.

Based on these results, the Hospital estimated that it received Medicare overpayments of \$104,450 (\$101,138 in estimated overpayments for claims incorrectly billed for E&M services with diagnostic or therapeutic surgical procedures and \$3,312 for claims incorrectly billed for E&M services with Supartz injections) for the period January 2, 2009, through March 2, 2012. The Hospital (1) was not eligible for additional E&M payments since the services were not significant, separately identifiable, and beyond the usual preoperative work and (2) incorrectly billed for the level of E&M service that it provided. Overpayments occurred because Hospital staff did not fully understand Medicare requirements for separately billable E&M services and did not have the necessary education to code the correct level of E&M services.

For the results of our review by risk area, see Appendix B.

INCORRECTLY BILLED EVALUATION AND MANAGEMENT SERVICES

Medicare Requirements

The Manual states that documentation should support the level of service reported (Pub. No. 100-04, chapter 12, § 30.6.1 (A)). In addition, the Manual states that a Medicare contractor pays for an E&M service that is significant, separately identifiable, and above and beyond the usual preoperative and postoperative care associated with the procedure that was performed (section 30.6.6(B)).

Results of Sample

The Hospital did not always comply with Medicare requirements for selected outpatient claims for E&M services billed with diagnostic or therapeutic surgical procedures. We verified that the Hospital correctly billed 45 sampled E&M services with diagnostic or therapeutic surgical procedures. However, we verified that the Hospital incorrectly billed the remaining E&M services, including:

- 23 claims that it incorrectly billed with an E&M code for physician services that were not significant, separately identifiable, and above and beyond the usual preoperative work, which resulted in additional payments of \$1,229, and
- 32 claims that it did not properly bill at the correct level of E&M care, of which 21 of these claims resulted in net overpayments of \$217.

Hospital officials stated that these billing errors occurred because staff did not fully understand Medicare requirements for separately billable E&M services and did not have the necessary education to code the correct level of E&M service.

Of the 55 incorrectly billed E&M services, 44 affected payment and resulted in Hospital net overpayments of \$1,446. For the remaining 11 E&M services, the Hospital billed at an incorrect level of E&M service (e.g., 99212 to 99213), but this did not affect Medicare payments.

Supartz Injection Review

The Hospital received additional Medicare overpayments for E&M services related to outpatient Supartz injections that were not significant, separately identifiable, and above and beyond the usual preoperative work. For 56 outpatient claims with Supartz injections, we verified that the Hospital incorrectly billed 54 for E&M payments. The claims resulted in overpayments of \$3,312.

Hospital officials stated that these errors occurred because staff did not fully understand Medicare requirements for separately billable E&M services.

ESTIMATED OVERPAYMENTS

Based on these results, the Hospital estimated that it received Medicare overpayments of \$104,450 (\$101,138 in estimated overpayments for claims incorrectly billed for E&M services with diagnostic or therapeutic surgical procedures and \$3,312 for claims incorrectly billed for E&M services with Supartz injections) for the period January 2, 2009, through March 2, 2012.

RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare contractor \$101,138 in estimated overpayments for E&M services billed with diagnostic or therapeutic surgical procedures,
- refund to the Medicare contractor \$3,312 for 54 outpatient Supartz injections incorrectly billed with E&M services,
- refund to the Medicare contractor any overpayments related to the physician professional component of the sampled E&M services incorrectly billed with diagnostic or therapeutic surgical procedures and E&M services related to Supartz injections, and
- strengthen its staff education regarding the appropriate billing of E&M services.

WING MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, the Hospital generally concurred with our findings and recommendations. The Hospital stated that it would refund the E&M overpayments related to the extrapolated sample and Supartz injection and make any adjustments to the related Part B physician claims. The Hospital also stated that it has taken steps to strengthen its controls to ensure compliance with Medicare regulations. The Hospital's comments are included in their entirety as Appendix C.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our current audit covered \$658,204 in Medicare payments to the Hospital for 10,250 outpatient hospital E&M services. These services had dates of service from January 2, 2009, through March 2, 2012.

We focused our review on E&M services associated with diagnostic or therapeutic surgical procedures and E&M services associated with Supartz injections, which we identified in our prior OIG review at the Hospital.

We limited our review to the overhead component billed by the Hospital for E&M services. In addition, we limited our review of the Hospital's internal controls to those applicable to billing E&M services with diagnostic or therapeutic surgical procedures and E&M services with Supartz injections. This review does not attempt to quantify possible overpayments related to physician Part B payments for E&M services. 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.

We conducted our fieldwork at the Hospital in November 2012.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations and guidance;
- extracted the Hospital's outpatient paid claim data billed with E&M services from CMS's National Claims History file for calendar years (CY) 2009, 2010, and 2011;
- worked with the Hospital to obtain outpatient paid claim data with E&M services from its Medicare contractor, Wisconsin Physician Services, for the first Quarter of CY 2012;
- requested that the Hospital conduct a statistical sample of 100 E&M services billed with diagnostic or therapeutic surgical procedures;
- reviewed the results of the Hospital's review of 100 claims and verified its estimated Medicare overpayments;

- requested the Hospital conduct a complete review of all E&M services billed with Supartz injections;
- reviewed the results of the Hospital's review of E&M overpayments for services billed with Supartz injections;
- requested that CMS medical review staff perform an independent review of 30 E&M services billed with diagnostic or therapeutic procedures to confirm the results; and
- discussed the results of the 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: RESULTS OF REVIEW BY RISK AREA

Risk Area	Selected Claims	Value of Selected Claims	Claims With Under / Over-payments	Value of Net Over-payments
Outpatient				
Claims Billed With Evaluation and Management Services With Diagnostic or Therapeutic Procedures	100	\$6,303	55	\$1,446
Claims Billed With Evaluation and Management Services With Supartz Injection Procedures	56	3,443	54	3,312
Outpatient Totals	156	\$9,746	109	\$4,758

APPENDIX C: WING MEMORIAL HOSPITAL COMMENTS



Wing Memorial
Hospital and Medical Centers
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April 18, 2013

Michael J. Armstrong
Regional Inspector General for Audit Services
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Office of Audit Services, Region I
John F. Kennedy Federal Building
15 New Sudbury Street, Room 2425
Boston, MA 02203

Re: Report Number A-01-12-00519

Dear Mr. Armstrong:

Thank you for the opportunity to respond to the draft report entitled, *Wing Memorial Hospital Did Not Always Bill Correctly for Evaluation and Management Services Related to Diagnostic or Therapeutic Procedures and Supartz Injections*, prepared by the Office of Inspector General (OIG) based on a review outpatient service for compliance with Medicare hospital billing requirements for use of Modifier 25. Wing Memorial Hospital and UMass Memorial Health Care system Compliance Offices have reviewed the draft report, and generally concur with the findings.

As stated in the report, a probe sample of 100 claims, with dates of service in calendar years 2009 through March 2012, was randomly selected by the hospital for review with Medicare requirements for billing an Evaluation and Management (E&M) established patient visit codes with Modifier 25 and a separate procedure. Although 55 errors were identified, errors resulting in overpayment to the hospital were found in 34 out of 100 cases.

- In 22 of these cases, the E&M was found to not be significant and separately identifiable based on documentation, and therefore the Modifier 25 was not appropriate
- In 8 of these cases Modifier 25 was supported, but documentation supported lower level E&M
- In 4 of these cases, an alternative E&M or HCPCS code was found to be supported by the documentation

Additionally, in 10 cases within the probe sample of 100, errors in assigning the correct E&M level resulted in an underpayment to the hospital. Pursuant to the recommendations of this report, and the resulting extrapolation of the payment errors identified in the probe sample of 100 claims (\$1,446) to the universe of E&M claims submitted for services in CY 2009 through March 2, 2012, Wing Memorial Hospital will be refunding \$101,138 to its Part A Medicare Administrative

APPENDIX C: WING MEMORIAL HOSPITAL COMMENTS

April 18, 2013

Mr. Michael Armstrong

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Contractor. Additionally, the Hospital will refund Medicare Part B for the professional component of these claims based on the same extrapolation methodology.

In addition to the probe sample of 100 claims, the hospital also reviewed every occurrence of an Evaluation and Management established patient CPT code (99211 – 99214) billed with the procedure code reflecting *Arthrocentesis, aspiration and/or injection; major joint or bursa (eg, shoulder, hip, knee joint, subacromial bursa)* (CPT 20610) and the drug, Supartz (J7321), for dates of service in calendar years 2009 through March 2012. This review included 56 claims in total, as identified in a claims file provided by your Office. We agree, upon review of the medical record documentation, that the Evaluation and Management services were not supported as significant and separately identifiable from the procedure performed on the same day in 54 cases, and have initiated the refund of resulting overpayments from both Medicare Part A (\$3,312) and Part B, by submitting adjusted claims. We are awaiting the final return remittance advice statements to confirm processing of these refunds by the respective Medicare Administrative Contractors.

Wing Memorial Hospital has taken the following actions to strengthen controls to ensure full compliance with the Medicare requirements, including additional staff education:

- *The Hospital has enhanced its Encounter Form Quality Review process and developed a formal documented procedure, which includes a review by the Nurse Manager who oversees each clinic and the Operations Manager for the Multi-Specialty Clinics. Additionally, all of these staff were provided re-education regarding Modifier 25 coding and CMS guidelines.*
- *In addition, the outpatient certified Coding Staff now review all physician documentation for encounters that include an outpatient procedure and E/M coded on the same date of service to ensure appropriate use of Modifier 25.*
- *The Hospital has also included a quarterly documentation review of claims billed with an established patient CPT code (99211 – 99215) and Modifier 25 into its Annual Compliance Plan.*

Wing Memorial Hospital is committed to strengthening its internal controls to ensure compliance with Medicare billing requirements. Accordingly, the hospital will continue to enhance the monitoring and internal auditing functions of its Compliance Program with support from the UMass Memorial Health Care Compliance Office.

Sincerely,

/Sarah Peterson/

Acting Chief Compliance Officer
Wing Memorial Hospital & Medical Centers