



Memorandum

Date MAR 21 1996
From *for* *Michael Mangano*
June Gibbs Brown
Inspector General
Subject Review of Medicare Hospice Beneficiary Eligibility in the Commonwealth
of Puerto Rico (A-02-94-01035)
To Bruce C. Vladeck
Administrator
Health Care Financing Administration

Attached are two copies of our final report entitled, "REVIEW OF MEDICARE HOSPICE BENEFICIARY ELIGIBILITY IN THE COMMONWEALTH OF PUERTO RICO." This review was an expansion of our prior hospice beneficiary eligibility reviews at two selected hospices in the Commonwealth of Puerto Rico (Puerto Rico) (Common Identification Numbers (CIN) A-02-94-01029 and A-02-94-01030). Those prior reports disclosed that a high percentage of beneficiaries whose eligibility we questioned at the two selected hospices were ineligible for hospice coverage resulting in approximately \$2.6 million of improper Medicare payments during the period April 1992 through July 1994. The objectives of this expanded review were to determine the amount of improper payments made on behalf of ineligible hospice beneficiaries at other hospices in Puerto Rico and to assess the need for additional hospice claims processing edits. To accomplish our objectives, we identified, with the assistance of the Medicare Regional Home Health Intermediary (RHHI), beneficiaries whose diagnoses were indicative of possible nonterminal conditions, and reviewed, with the assistance of the Peer Review Organization in Puerto Rico, the identified beneficiaries' medical records.

From listings obtained from 38 hospices, we identified 2,845 hospice beneficiaries who were either receiving services as of June 15, 1994 or had been discharged during the period January 1 through June 15, 1994 for reasons other than death. Utilizing primarily the diagnoses contained on the listings, a staff nurse from the RHHI's Medicare Fraud Unit identified 1,634 of these beneficiaries that appeared to be ineligible for the hospice program. We obtained and reviewed the medical records of an unrestricted random sample of 100 of these cases and found that 67 of the beneficiaries were ineligible for hospice benefits and \$1.2 million was improperly paid on their behalf. Accordingly, based on the results of our sample review, we estimate that during the period September 1991 through July 1994, approximately \$19.7 million was improperly paid to 37 hospice providers in Puerto Rico on behalf of ineligible beneficiaries.

During 1994, the RHHI and the Health Care Financing Administration (HCFA) recognized the existence of a high rate of ineligibility at hospices in Puerto Rico and, in conformance with existing HCFA review guidelines, the RHHI enhanced its post-payment and prepayment review activities for claims submitted by providers identified as aberrant. That increased review activity enabled the RHHI to identify and recover \$333,913 for ineligible beneficiaries included in our sample. We believe that the work of the RHHI and the adjudication of the 1,534 cases remaining in our data base will amount to a total recovery of approximately \$19.7 million. We believe that additional "front-end" claims processing edits at the RHHI could have prevented these overpayments and, if implemented, should prevent similar improper payments in the future.

We are recommending that HCFA instruct the RHHI for Puerto Rico to (1) recover the outstanding balance of the \$1.2 million in improper payments for ineligible hospice beneficiaries identified in our sample review or \$874,467 (\$1,208,380 less \$333,913 already recovered by the RHHI); (2) initiate medical record reviews of the balance of identified potential ineligible beneficiaries not included in our sample and, where appropriate, initiate action to recover any additional unrecovered improper payments; (3) improve its claims processing controls by instituting a "front-end" diagnosis-based edit; and (4) conduct medical record reviews of the suspect claims identified through the above edit.

On February 14, 1996, HCFA responded to a draft of this report indicating concurrence with our findings and recommendations.

If you have any questions, please call me or have your staff contact George M. Reeb, Assistant Inspector General for Health Care Financing Audits, at (410) 786-7104. To facilitate identification, please refer to CIN A-02-94-01035.

Attachments

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICARE HOSPICE
BENEFICIARY ELIGIBILITY IN THE
COMMONWEALTH OF PUERTO RICO**



**JUNE GIBBS BROWN
Inspector General**

**MARCH 1996
A-02-94-01035**

**Memorandum**

MAR 21 1996

Date

From

Michael Mangano
for June Gibbs Brown
Inspector General

Subject

Review of Medicare Hospice Beneficiary Eligibility in the Commonwealth of Puerto Rico (A-02-94-01035)

To

Bruce C. Vladeck
Administrator
Health Care Financing Administration

This report provides you with the results of our "REVIEW OF MEDICARE HOSPICE BENEFICIARY ELIGIBILITY IN THE COMMONWEALTH OF PUERTO RICO." This review was an expansion of our prior hospice beneficiary eligibility reviews at two selected hospices in the Commonwealth of Puerto Rico (Puerto Rico) (Common Identification Numbers (CIN) A-02-94-01029 and A-02-94-01030). Those prior reports disclosed that a high percentage of beneficiaries whose eligibility we questioned at the two selected hospices were ineligible for hospice coverage resulting in approximately \$2.6 million of improper Medicare payments during the period April 1992 through July 1994. The objectives of this expanded review were to determine the amount of improper payments made on behalf of ineligible hospice beneficiaries at other hospices in Puerto Rico and to assess the need for additional hospice claims processing edits. To accomplish our objectives, we identified, with the assistance of the Medicare Regional Home Health Intermediary (RHHI), beneficiaries whose diagnoses were indicative of possible nonterminal conditions, and reviewed, with the assistance of the Peer Review Organization (PRO) in Puerto Rico, the identified beneficiaries' medical records.

Our review of the medical records of an unrestricted random sample of 100 of 1,634 identified potentially ineligible hospice beneficiaries showed that 67 of the beneficiaries included in our sample were ineligible and \$1.2 million was improperly paid on their behalf. Accordingly, based on the results of our sample review, we estimate that during the period September 1991 through July 1994, approximately \$19.7 million was improperly paid to 37 hospice providers in Puerto Rico on behalf of ineligible beneficiaries.

During 1994, the RHHI and the Health Care Financing Administration (HCFA) recognized the existence of a high rate of ineligibility at hospices in Puerto Rico and, in conformance with existing HCFA review guidelines, the RHHI enhanced its post-payment and prepayment review activities for claims submitted by providers identified as aberrant. That increased review activity enabled the RHHI to identify and recover \$333,913 for ineligible beneficiaries included in our sample. We believe that the work

of the RHHI and the adjudication of the 1,534 cases remaining in our data base will amount to a total recovery of approximately \$19.7 million. We believe that additional "front-end" claims processing edits at the RHHI could have prevented these overpayments and, if implemented, should prevent similar improper payments in the future.

We are recommending that HCFA instruct the RHHI for Puerto Rico to (1) recover the outstanding balance of the \$1.2 million in improper payments for ineligible hospice beneficiaries identified in our sample review or \$874,467 (\$1,208,380 less \$333,913 already recovered by the RHHI); (2) initiate medical record reviews of the balance of identified potential ineligible beneficiaries not included in our sample and, where appropriate, initiate action to recover any additional unrecovered improper payments. We estimate that the additional improper payments total about \$18.5 million (\$19.7 million less \$1.2 million), some of which may have already been recovered by the RHHI; (3) improve its claims processing controls by instituting a "front-end" diagnosis-based edit; and (4) conduct medical record reviews of the suspect claims identified through the above edit.

INTRODUCTION

Background

Title XVIII of the Social Security Act, section 1861(dd) establishes the provisions for hospice care. Hospice is an approach to treatment that recognizes that the impending death of an individual warrants a change in focus from curative care to palliative care. The goal of hospice care is to help terminally ill individuals continue life with minimal disruption in normal activities while remaining primarily in the home environment. A hospice uses an interdisciplinary approach to deliver medical, social, psychological, emotional, and spiritual services through the use of a broad spectrum of professional and other care givers with the goal of making the individual as physically and emotionally comfortable as possible.

In order to be eligible for hospice care under Medicare, an individual must be entitled to Part A of Medicare and be certified as terminally ill by the hospice medical director (or staff physician) and, where applicable, the beneficiary's attending physician. For purposes of the hospice program, a beneficiary is deemed to be terminally ill if the medical prognosis is that the patient's life expectancy is 6 months or less if the terminal illness runs its normal course. A Medicare beneficiary's inclusion in the hospice program is voluntary and can be revoked at any time by the beneficiary.

Previously, we reviewed beneficiary hospice eligibility at two selected hospices in Puerto Rico (CINs A-02-94-01029 and A-02-94-01030). Those prior audits disclosed that 175 of 238 beneficiaries whose eligibility was suspect were ineligible for hospice coverage

resulting in approximately \$2.6 million of improper Medicare payments. Due to the significance of the error rate in eligibility determinations and the amount of improper payments, we expanded our review to determine the extent of this condition at other hospices in Puerto Rico.

Medicare claims for hospice services in Puerto Rico are processed and reimbursed by United Government Services located in Wisconsin, the RHHI under contract with HCFA.

Scope of Review

Our review was made in accordance with generally accepted government auditing standards. The objectives of this expanded review were to determine the amount of improper payments made on behalf of ineligible hospice beneficiaries at other hospices in Puerto Rico and to assess the need for additional hospice claims processing edits.

We requested from each of the 45 hospices in Puerto Rico, not previously reviewed, a listing of all beneficiaries who had received services during the period January 1 through June 15, 1994. In addition to identifying the hospice beneficiaries, we also requested other information such as primary diagnosis, dates of service and reason for discharge. We received the requested listings from 38 of the 45 hospices. The seven nonrespondents were no longer in business. The listings received from the 38 hospices contained the names of 4,335 beneficiaries. Our review was limited to 2,845 beneficiaries included on the 38 listings who were either receiving services as of June 15, 1994 or had been discharged during the period January 1 through June 15, 1994 for reasons other than death (deceased beneficiaries were considered presumptively eligible). Utilizing primarily the diagnoses contained on the listings, a staff nurse from the RHHI's Medicare Fraud Unit identified 1,634 of the 2,845 hospice beneficiaries that appeared to be ineligible for the hospice program.

To validate the RHHI nurse's determinations, we utilized a licensed physician contracted by the Puerto Rico PRO to review an unrestricted random sample of 100 hospice beneficiary medical records. Our determination of the amount of payments made on behalf of ineligible hospice beneficiaries was based on payment history data for the period September 1991 through July 1994 which we obtained from the RHHI. With respect to payment history data, we accepted data furnished by the RHHI without performing validation procedures. To assure that the amount we recommended for recovery did not duplicate any recoveries already received by the RHHI, we requested the RHHI provide us a summary of the results of any reviews performed by the RHHI of the 100 beneficiary records included in our sample. Due to the limited objectives of this review, no evaluation of internal controls was performed.

Our field work was performed at our field office in Puerto Rico during the period October 1994 through August 1995.

RESULTS OF REVIEW

Our review, which was an expansion of prior hospice beneficiary eligibility reviews in Puerto Rico, showed that during the period September 1, 1991 through July 31, 1994 approximately \$19.7 million was improperly paid to hospice providers on behalf of ineligible hospice beneficiaries. The \$19.7 million is a statistical estimate of the results of our review of an unrestricted random sample of 100 medical records of hospice beneficiaries in Puerto Rico whose diagnoses were indicative of possible nonterminal conditions. We believe that a contributing cause of the improper payments was a lack of adequate claims processing edits at the RHHI.

The 42 CFR 418.20 and 418.22 provide that to be eligible for hospice care, a beneficiary must be entitled to Medicare Part A benefits and be certified by a physician as terminally ill, with a life expectancy of 6 months or less if the terminal illness runs its normal course. The certification and other clinical evidence supporting the hospice's determination of beneficiary eligibility for hospice care are contained in the beneficiary's medical record maintained by the hospice.

Previously, we reported the results of our hospice eligibility reviews at two hospices in Puerto Rico (CINs A-02-94-01029 and A-02-94-01030). Those prior reviews disclosed that a high percentage of hospice beneficiaries whose eligibility we questioned at the two selected hospices were ineligible for hospice care, resulting in approximately \$2.6 million of improper Medicare payments. Due to the significant error rate and the resulting improper payments we found at those hospices, we expanded our review to include the remaining 45 hospices in Puerto Rico.

To accomplish our review objectives, we requested from each of the 45 hospices in Puerto Rico, not previously reviewed, a listing of all hospice beneficiaries who had received services during the period January 1 through June 15, 1994. In addition to identifying the beneficiaries, we also requested other information such as primary diagnosis, dates of service and reason for discharge. We received the requested listings from 38 of the 45 hospices. The seven nonrespondents were no longer in business. The listings received from the 38 hospices contained the names of 4,335 beneficiaries. Our review was limited to 2,845 hospice beneficiaries that were included on the 38 listings who were either receiving services as of June 15, 1994 or had been discharged during the period January 1 through June 15, 1994 for reasons other than death (deceased beneficiaries were considered presumptively eligible). Utilizing primarily the diagnoses contained on those listings, a staff nurse from the RHHI's Medicare Fraud Unit identified 1,634 of 2,845 beneficiaries enrolled at 37 of the 38 hospices that did not appear to be terminally ill and, therefore, were potentially ineligible for hospice benefits. We found no errors at the remaining hospice.

To verify the RHHI nurse's determinations, we utilized a licensed physician contracted by the Puerto Rico PRO. The verification phase of this part of our review was limited

to an unrestricted random sample of 100 beneficiary medical records. We were able to obtain copies of 21 medical records from the RHHI and 78 medical records from the hospices. One medical record was not available for the PRO physician's review and, therefore, in the absence of a physician review, that beneficiary was considered ineligible for hospice care. The 99 remaining medical records were reviewed by a physician contracted by the Puerto Rico PRO to verify whether the beneficiary was terminally ill at the time of initial certification for hospice care. To make this determination, the physician considered all the medical information included in the beneficiary's records.

The PRO physician determined that 66 (67 percent) of the 99 hospice beneficiaries whose medical records he reviewed were not terminally ill and, therefore, were ineligible for hospice care at the time of initial certification. The amount of improper payments made on behalf of those 66 hospice beneficiaries was approximately \$1.2 million. Of the remaining medical records reviewed, 32 hospice beneficiaries were determined to be terminally ill and 1 hospice beneficiary's medical record had insufficient information to make a medical determination.

This table summarizes the results of our sample:

PRO PHYSICIAN'S ELIGIBILITY DETERMINATION	NUMBER REVIEWED	PERCENT	TOTAL MEDICARE PAYMENTS	PERCENT
Ineligible:				
- Payments Made	66		\$1,194,563	
- Record Unavailable	<u>1*</u>		<u>13,817</u>	
Total Ineligibles	<u>67</u>	67%	<u>\$1,208,380</u>	66%
Eligible:	32	32%	602,704	33%
Undetermined:	<u>1</u>	<u>1%</u>	<u>6,819</u>	<u>1%</u>
Total	<u>100</u>	<u>100%</u>	<u>\$1,817,903</u>	<u>100%</u>
*To be considered as a sample error				

Based on the results of our sample review, we estimate that approximately \$19.7 million was improperly paid to 37 hospice providers on behalf of hospice beneficiaries who were ineligible for hospice care during our audit period. The \$19.7 million represents the midpoint of the precision range at the 90 percent confidence level with a precision of +/- \$4.3 million.

This table summarizes the primary diagnoses for the 67 cases found to be ineligible.

BENEFICIARY DIAGNOSES	NUMBER OF INELIGIBLES
Cerebral Vascular Accident	26
Alzheimer Disease	13
Congestive Heart Failure	9
Chronic Obstructive Pulmonary Disease	8
Cancer: Prostate, Skin	3
Other: Liver Cirrhosis; Diabetes; Parkinson; Osteo-arthritis; Hemiplegia; Senility	<u>8</u>
TOTAL	<u>67</u>

Assessment of Claims Processing Edits

We believe claims processing controls at the RHHI could be improved to eliminate such improper payments. The HCFA should require the RHHI to institute "front-end" hospice eligibility edits to detect diagnoses inconsistent with terminal illnesses. Prior to December 7, 1993, HCFA informed all its RHHIs that the physician certification of a beneficiary's terminal illness must be accepted. On December 7, 1993, HCFA issued a memorandum to all Associate Regional Administrators (ARA) for Medicare stating that "...while we have not encouraged the medical review of hospice claims, there may be an incorrect perception that medical review of hospice claims is not allowed." Further, the memorandum stated that "...as with other provider types, data on hospice providers or claims should be analyzed for the appropriateness or necessity of medical review."

Instructions for medical review contained in the HCFA Medicare Intermediary Manual for hospice claims, however, require only focused review efforts, i.e., edits focused on providers whose pattern of behavior has been determined to be aberrant or inconsistent with norms displayed by other hospices. Also, the memorandum stated that RHHIs could conduct only focused medical reviews of claims that involved vague or unreliable diagnoses and/or identify individual hospice providers that have a high percentage of hospice beneficiaries enrolled with diagnoses that do not normally represent terminal illnesses. However, if the RHHI was to question the terminal diagnosis, they were to send a bulletin to all hospice providers regarding this issue. In our opinion, this does not constitute clear and appropriate guidance to the RHHIs to institute sufficient controls to detect and prevent erroneous hospice payments on behalf of beneficiaries ineligible for hospice coverage.

On May 16, 1995, HCFA issued another memorandum to all ARA's concerning medical review of hospice claims. That memorandum directed the ARAs to instruct their RHHIs

to take a number of steps concerning the review of hospice data, the identification of aberrant hospice providers and actions to be taken against providers identified as abusive, e.g., providers who after educational contacts and/or notification of questionable cases, continue to bill for ineligible beneficiaries. However, the memorandum is silent concerning the implementation of any "front-end" hospice eligibility computer edits.

During 1994, the RHHI and HCFA recognized the existence of a high rate of ineligibility at hospices in Puerto Rico and in conformance with existing HCFA review guidelines, the RHHI enhanced its post-payment and prepayment review activities for claims submitted by providers identified as aberrant. The focused medical reviews performed by the RHHI had some success in identifying claims for services to ineligible beneficiaries and improper payments. In that regard, subsequent to completing our field work, to assure that the amount we recommended for recovery did not duplicate recoveries already made, we requested the RHHI provide us a summary of the results of any reviews performed of the 100 beneficiary records included in our sample.

On August 15, 1995, the RHHI responded to our request for information regarding its review results. The response, indicated that for the 67 ineligible beneficiaries included in our sample, the RHHI had recouped from providers \$333,913 based on eligibility and/or technical (missing documents/signatures) reviews.¹ We, therefore, decreased the amount of improper payments made on behalf of the 67 ineligible beneficiaries in our review which need to be recovered from \$1,208,380 to \$874,467 to reflect the RHHI's recovery of \$333,913. Of the total \$19.7 million in overpayments identified for improper payments, the RHHI (in addition to the \$333,913) may have already collected additional funds based on their prior work. This amount can be identified as the individual claims are reviewed as envisioned by our recommendations.

Furthermore, as evidenced by the results of the RHHI's reviews as compared with the results of our review, the procedures put in place by the RHHI for review of hospice claims have not been sufficient to detect, prevent or recover most payments on behalf of ineligible beneficiaries. Therefore, we believe a diagnosis-based "front-end" claims processing edit is needed. This edit should be designed to identify claims submitted on behalf of potentially ineligible hospice beneficiaries and should be followed up by medical record review of the claims identified by the edits.

¹For the 100 sampled beneficiaries, the RHHI recouped a total of \$548,745. However, \$214,832 of that total related primarily to beneficiaries we determined to be eligible but for whom the RHHI's review disclosed technical program deficiencies not related to basic eligibility. The balance of the RHHI ineligible/technical recoupments (\$333,913), are related to beneficiaries we determined to be ineligible.

RECOMMENDATIONS

Concerning the improper hospice payments identified and projected overpayments to the hospices reviewed, we are recommending that HCFA instruct the Puerto Rico RHHI to:

- ☛ Recover \$874,467 of improper payments made to hospice providers on behalf of 67 ineligible beneficiaries identified in our review. The \$874,467 represents the net of the improper payments (\$1,208,380) and the related RHHI recoveries (\$333,913).
- ☛ Initiate medical record reviews of the remaining 1,534 beneficiary records identified in our universe and, where appropriate, recover improper payments made on behalf of ineligible beneficiaries. We estimate that the additional improper payments total about \$18.5 million (\$19.7 million less \$1.2 million), some of which may have already been recovered by the RHHI.

Concerning our assessment of hospice claims processing edits for Puerto Rico claims, we recommend that HCFA instruct the Puerto Rico RHHI to:

- ☛ Improve its hospice claims processing controls by instituting a "front end" diagnosis-based edit to identify suspect claims.
- ☛ Conduct medical record reviews of the suspect claims identified as a result of the above.

HCFA COMMENTS TO DRAFT REPORT

On February 14, 1996, HCFA responded to a draft of this report indicating concurrence with our findings and recommendations. The HCFA's comments are included in their entirety as an appendix to this report.



DEPARTMENT OF HEALTH & HUMAN SERVICES

The Administrator
Washington, D.C. 20201

DATE FEB 14 1996

TO June Gibbs Brown
Inspector General

FROM Bruce C. Vladeck *Bruce Vladeck*
Administrator

SUBJECT Office of Inspector General (OIG) Draft Report: "Review of Medicare Hospice Beneficiary Eligibility in the Commonwealth of Puerto Rico," (A-02-94-01035)

We reviewed the above-referenced report which examines improper payments made on behalf of ineligible hospice beneficiaries at hospices in Puerto Rico and assesses the need for additional hospice claims processing edits. Attached are our comments on the report recommendations.

Thank you for the opportunity to review and comment on this draft report.

Attachment

Comments of the Health Care Financing Administration (HCFA) on
Office of Inspector General (OIG) Draft Report "Review of
Medicare Hospice Beneficiary Eligibility in the
Commonwealth of Puerto Rico."
(A-02-94-01035)

OIG Recommendation

HCFA should instruct the Puerto Rico regional home health intermediary (RHHI) to recover \$874,467 of improper payments made to hospice providers on behalf of 67 ineligible beneficiaries identified in our review. The \$874,467 represents the net of the improper payments (\$1,208,380) and the related RHHI recoveries (\$333,913).

HCFA Response

We concur and will instruct United Government Services (UGS) of Wisconsin, the RHHI for Puerto Rico, to conduct a review and recover improper payments made to hospice providers on behalf of these 67 beneficiaries. The OIG will need to provide UGS with a list of beneficiary health insurance claim (HIC) numbers and date of service records for each beneficiary.

OIG Recommendation

HCFA should initiate medical record reviews of the remaining 1,534 beneficiary records identified in our universe and, where appropriate, recover improper payments made on behalf of ineligible beneficiaries. We estimate that the additional improper payments total about \$18.5 million (\$19.7 million less \$1.2 million), some of which may have already been recovered by the RHHI.

HCFA Response

We concur, but because this initiative has not been included in the UGS Fiscal Year 1996 budget, UGS's ability to perform an extensive review will be dependent on the availability of supplemental funding. Therefore, to the extent possible, UGS will initiate medical reviews of the remaining beneficiary records. Again, the OIG would need to provide the HIC numbers and date of service records for beneficiaries in their sample. UGS will then check the information against their records to eliminate cases where recovery has already been completed or initiated.

Page 2

OIG Recommendation

HCFA should instruct the Puerto Rico RHHI to improve its hospice claims processing controls by instituting a “front end” diagnosis-based edit to identify suspect claims.

HCFA Response

We concur. As mentioned in the OIG report, UGS has enhanced its pre-payment and post-payment review activities since the time of this report. UGS currently has active front-end, diagnosis-based edits in place. They target providers with aberrant patterns of utilization for unusual terminal diagnoses. These focused medical review edits have been developed based on data analysis.

OIG Recommendation

HCFA should instruct the Puerto Rico RHHI to conduct medical record reviews of the suspect claims identified as a result of the above.

HCFA Response

We concur. UGS currently conducts medical record reviews of the suspect claims identified by the front-end, diagnosis-based edits currently in place.