

Brickell Federal Building
909 SE 1st Avenue, Suite 732
Miami, Florida 33131
(305) 536-6540 FAX (305) 536-6787



101 Marietta Tower, Suite 701
Atlanta, Georgia 30323
(404) 331-2329 FAX (404) 331-0104



OPERATION RESTORE TRUST



February 6, 1997

Ms. Patty Aguilera, Supervisor Fraud Unit
Mutual of Omaha
PO Box 1602
Omaha, NE 68101

Dear Ms. Aguilera:

The enclosed report and recommendations for adjustment of charges provides the results of the Operation Restore Trust (ORT) Skilled Nursing Facility review conducted at Edward White Transitional Care Unit (Medicare provider number 10-5794), a skilled nursing facility located in St. Petersburg, Florida. The primary objective of the review was to evaluate the medical necessity of the care and services provided and the reasonableness of the charges and reimbursements made during the period from January 1, 1994 through December 31, 1994.

The ORT reviewers questioned \$7,244 in charges reported for the 27 sample beneficiaries in our study. This amount comprises \$2,662 related to Physical and Occupational therapy services, which were not reasonable and necessary \$4,209 in routine supply, and drug charges incorrectly reported as ancillary charges. Therefore, we are recommending an adjustment of the above charges.

Following your review of this report, please prepare and submit to the Miami ORT Satellite Office a plan of corrective action to implement the recommendations made in the report. This plan should be submitted within thirty days of receipt of this letter.

If there any questions regarding this report, please call Dewey Price at 305-536-6540. February 6, 1997.

Sincerely,


Patricia Talley
Acting HCFA Regional Administrator


Charles Curtis
Regional Inspector General - Audit

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OPERATION RESTORE TRUST



February 7, 1997

Mr. Marshall Kelley, Director
Division of Health Quality Assurance
Agency for Health Care Administration
2727 Mahan Drive
Tallahassee, FL 32308

Dear Mr. Kelley:

The enclosed report and recommendations for corrective actions provides the results of the Operation Restore Trust (ORT) Skilled Nursing Facility review conducted at Edward White Transitional Unit (Medicare Provider number 10-5794), a skilled nursing facility located in St. Petersburg, Florida. The primary objective of the review was to evaluate the medical necessity of the care and services provided and the reasonableness of the charges and reimbursements made during the period from January 1, 1994 through December 31, 1994.

The ORT reviewers questioned \$7,244 in charges reported for the 27 sample beneficiaries in our study and we are recommending an adjustment of the above charges. In addition, we request that the State Agency initiate corrective action with this facility.

Following your review of this report, please prepare and submit to the Miami ORT Satellite Office a plan of corrective action to implement the recommendations directed to the State Agency in this report. This plan should be submitted within thirty days of receipt of this letter.

If there are any question regarding this report, please call Dewey Price at 305-536-6540.

Sincerely,

Handwritten signature of Patricia L. Talley in cursive.

Patricia Talley
Acting HCFA Regional Administrator

Handwritten signature of Charles Curtis in cursive.

Charles Curtis
Regional Inspector General - Audit

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I. EXECUTIVE SUMMARY

This report provides the results of the Operation Restore Trust (ORT) survey of the Edward White Transitional Unit (Facility), a hospital-based skilled nursing facility (SNF) located in St. Petersburg, Florida. The objective of the survey was to determine whether charges other than room and board, billed to the Medicare Part A Fiscal Intermediary (Intermediary) and Part B Carrier (Carrier), were allowable based on applicable Federal regulations and implementing instructions under the Medicare guidelines. For these services to be allowable they must be:

- o considered a specific and effective treatment for the patient's condition;
- o prescribed under the assumption that the patient's condition will improve significantly in a reasonable period of time based on the assessment made by the physician;
- o reasonable in amount, frequency, and duration; and
- o fully supported by the patient medical records.

A team comprised of a Florida State Agency for Health Care Administration (State Agency) nurse surveyor, a Regional Health Care Administration (HCFA) nurse consultant, and an Office of Inspector General (OIG) Office of Audit Services auditor conducted an unannounced focused survey at the facility. The members of the team evaluated the services for 27 Medicare beneficiaries with aberrant charges made for the period January 1, 1994 through December 31, 1994. This period coincided with the SNF's Medicare Fiscal Year 1994 (FY 1994).

We questioned \$7,244 in charges reported by the SNF in its FY 1994 Medicare Cost report. The amount questioned consisted of \$2,662 of physical and occupational services which were not reasonable or medically necessary, \$4,209 of routine supply and drug services reported as ancillary services, and \$373 of laboratory tests in excess of those ordered by the physician. We are recommending that the Intermediary adjust the \$7,244 from charges reported by the SNF in its FY 1994 cost report and that the State Agency require certain corrective actions by the facility.

REGION IV OPERATION RESTORE TRUST PILOT

FOCUSED REVIEW OF A SKILLED NURSING FACILITY

II. BACKGROUND

The Secretary of the Department of Health and Human Services and the President initiated Project ORT. This innovative, collaborative project was designed to address growing concerns over rising health care costs. A review of Departmental records indicate that over the last 10 years, the following segments of the health care industry have experienced a surge in health care fraud:

- o home health,
- o nursing homes,
- o hospice, and
- o durable medical equipment.

Departmental records further disclosed that the States of Texas, California, Illinois, New York, and Florida receive annually over 40 percent of all Medicare and Medicaid funds paid to the above health care segments. As a result, these States and the above health care segments were chosen as targets of the ORT 23-month pilot project.

Within the Department of Health and Human Services ORT has been a joint effort by HCFA, the OIG, and the Administration on Aging. These components are focusing attention on Program vulnerabilities identified through investigations and audits.

HCFA's Bureau of Data Management Services (BDMS) identified certain SNFs in Florida as aberrant according to their billings. The method used to identify these providers was to evaluate the universe of SNF admissions in each state during FY 1994. Data for all SNF claims was summarized first by beneficiary, and then by SNF. Key statistical data included total claims per beneficiary, allowed dollars per stay, line items or services per number of beneficiaries, average dollars and claims per stay, and average dollars per day. BDMS generated a listing of SNFs with high reimbursement amounts per day and per stay. The listing of SNFs was manually scanned and 14 were judgmentally selected based on total highest reimbursement.

In addition to these 14 SNFs, we requested the two principal fiscal intermediaries in Florida (Aetna and Blue Cross) to each identify 3 SNFs for inclusion in this project based upon their data, complaints, and experience with SNF providers.

Edward White Transitional Unit was one of the 14 SNFs judgmentally selected for review. This SNF has participated in the Medicare program since February 1993. The hospital is owned by Healthtrust, Incorporated.

III. SCOPE OF REVIEW

The survey was conducted by a team comprised of a nurse surveyor from the State Agency, a nurse consultant from HCFA , and an auditor from the OIG Office of Audit Services. This HCFA directed survey was conducted using HCFA's review protocols rather than the OIG's policies and procedures. Accordingly, the OIG's work was in compliance with generally accepted government auditing standards only in relation to the quantification of the unallowable services identified by other members of the team.

The objective of the survey was to determine whether charges other than room and board, billed to the Intermediary and Carrier, were allowable based on applicable Federal regulations and implementing instructions under the Medicare guidelines. Primarily we wanted to determine whether unnecessary care was provided to the 27 beneficiaries in our sample, for whom the Edward White Transitional Unit billed Medicare \$750,765 during FY 1994. The SNF's total Medicare Part A reimbursement for services provided during that period totaled \$1,658,369.

The approach used was to identify all services billed to Medicare Part A, Medicare Part B, and Medicaid cross-over claims for each of the 27 beneficiaries in our sample during their stay at the SNF between January 1994 and December 1994. This approach was adopted because many providers, other than the SNF bill separately for services to the SNF patients, e.g., podiatrists, portable x-ray suppliers, therapy providers and DME suppliers. These claims go to various Medicare contractors and to Medicaid, and are rarely, if ever associated with each other or the SNF's bills.

Using the team concept, the State Agency and HCFA nurses identified Medicare funded services which were either not reasonable or necessary, and the OIG auditor quantified the charges associated with the services. The beneficiaries' medical records and related documentation were reviewed to determine the medical necessity of charged services; specifically, were the services: (i) recorded in the medical records, (ii) ordered by a physician, (iii) rendered by qualified personnel, and (iv) appropriate considering the physicians' diagnosis and the residents' physical/mental condition. The SNF's accounting records and supporting documentation were reviewed to determine: (i) the bases for charges reported to Medicare, and (ii) the amount of charges associated with questioned services.

Field work was performed at the SNF's offices in St. Petersburg, Florida during the period May 20 through May 24, 1996.

IV. FINDINGS AND RECOMMENDATIONS

Our review disclosed that \$7,244 in charges reported by the SNF in FY 1994 did not meet Medicare reimbursement guidelines. The amount questioned includes therapy services which were not reasonable or medically necessary, routine services reported as ancillary services and laboratory services in excess of those ordered by the physicians. We are recommending that the Intermediary adjust the questioned charges.

QUESTIONED CHARGES

Occupational Therapy	\$2,155
Physical Therapy	507
Supplies	2,947
Drugs	1,262
Laboratory	<u>373</u>
Total	<u>\$7,244</u>

FINDING #1

Occupational Therapy Services

We questioned \$2,155 of occupational therapy (OT) charged to 22 of the 27 beneficiaries, or 6% of the \$38,285 that Edward was reimbursed for OT during the period of our review. In order to be covered under Medicare Part A; OT services must be prescribed by a physician, be performed by a qualified therapist, and be reasonable and necessary for the treatment of the individual's illness or injury. The questioned charges related to "team conferences" at which the facility's staff discussed residents' physical progress and future treatment. We believe that generalized conferences of this nature are routine services rather than ancillary services.

RECOMMENDATION

We recommend that the Intermediary adjust the \$2,155 from OT charges reported by the SNF on its FY 1994 cost report.

FINDING #2

Physical Therapy Services

We questioned \$507 of physical therapy (PT) charged to 20 of the 27 beneficiaries, or 1% of the \$84,040 that Edward was reimbursed for PT during the period of our review. The questioned charges were for canes, walkers and traction equipment used by the residents during PT sessions. Paragraph 2203.1 of Part 1 to the Provider Reimbursement Manual specifically states that those items must be classified as routine service and may not be charged as an ancillary service.

RECOMMENDATIONS

We recommend that the Intermediary adjust the \$507 from PT charges reported by the SNF on its FY 1994 cost report.

We recommend that the State Agency ensure by issuance of a Corrective Action Plan (CAP) that this facility provides supplies and equipment needed by its patients.

FINDING #3

Supply Services

We questioned \$2,947 of supplies charged to 25 of the 27 beneficiaries, or 6% of the \$47,771 that Edward was reimbursed for supplies during the period of our review. Federal regulations at 42 CFR 409.25 state that supplies, appliances, and equipment are covered as extended care services only if they are ordinarily furnished by the skilled nursing facility for the care and treatment of inpatients. Examples of items covered as ancillary supplies are oxygen, surgical dressings, splints, casts, and other devices used for the reduction of fractures and dislocations. The questioned charges were for items such as underpads, diapers, slippers, and lotions. These items are routine rather than ancillary supplies.

RECOMMENDATION

We recommend that the Intermediary adjust the \$2,947 from ancillary supply services reported by the SNF on its FY 1994 cost report.

FINDING #4

Drug Services

We questioned \$1,262 of drugs charged to 4 of the 27 beneficiaries, or 1% of the \$173,334 that Edward was reimbursed for drug services during the period of our review. The questioned charges included \$1,202 for the food supplement Ensure and \$60 for a drug provided after the physician's order to discontinue that treatment. Paragraph 2203.1 of Part 1 to the Provider Reimbursement Manual specifically states that dietary supplements used for tube feeding or oral feeding are routine services rather than ancillary services.

RECOMMENDATION

We recommend that the Intermediary adjust the \$1,262 from drug services reported by the SNF on its FY 1994 cost report.

FINDING #5

Laboratory Services

We questioned \$373 of laboratory services charged for tests in excess of those ordered by the residents' physician, or 1% of the \$37,515 that Edward was reimbursed for laboratory services during the period of our review.

RECOMMENDATION

We recommend that the Intermediary adjust the \$373 from laboratory services reported by the SNF on its FY 1994 cost report.