



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services, Region I  
John F. Kennedy Federal Building  
Room 2425  
Boston, MA 02203

November 28, 2011

Report Number: A-01-11-00508

Ms. Rita B. Gylys  
Associate General Counsel  
Boston Medical Center  
Office of General Counsel  
One Boston Medical Center Place  
Boston, MA 02118

Dear Ms. Gylys:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Place-of-Service Overpayments Refund Verification for Boston Medical Center for Calendar Years 2006 Through 2010*. We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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

If you have any questions or comments about this report, please do not hesitate to call me, or contact David Lamir, Audit Manager, at (617) 565-2704 or through email at [david.lamir@oig.hhs.gov](mailto:david.lamir@oig.hhs.gov). Please refer to report number A-01-11-00508 in all correspondence.

Sincerely,

/Michael J. Armstrong/  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Ms. Nanette Foster Reilly  
Consortium Administrator  
Consortium for Financial Management & Fee for Service Operations  
Centers for Medicare & Medicaid Services  
601 East 12<sup>th</sup> Street, Room 235  
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Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**PLACE OF SERVICE  
OVERPAYMENTS REFUND  
VERIFICATION FOR BOSTON  
MEDICAL CENTER FOR  
CALENDAR YEARS 2006  
THROUGH 2010**



Daniel R. Levinson  
Inspector General

November 2011  
A-01-11-00508

# *Office of Inspector General*

<http://oig.hhs.gov>

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## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Medicare Part B pays for services physicians provide to program beneficiaries. Although physicians routinely perform many of these services in hospital outpatient departments or freestanding ambulatory surgical centers, physicians also perform some services in nonfacility settings, such as physician offices, urgent care centers, or independent clinics. To account for the increased overhead expense that physicians incur by performing services in nonfacility locations, Medicare reimburses physicians at a higher rate for certain services performed in these locations. However, when physicians perform these same services in facility settings Medicare reimburses the overhead expenses to the facilities and physicians receive a lower reimbursement rate.

Physicians are required to identify the place of service on the health insurance claim forms that they submit to Medicare contractors. The correct place-of-service code ensures that Medicare does not reimburse a physician incorrectly for the overhead portion of the payment if the service was performed in a facility setting.

Our previous nationwide reviews found that several Medicare contractors overpaid physicians who did not correctly identify the place of service on their claims. These audits identified over a million nonfacility-coded physician services that matched outpatient hospital claims for the same type of service provided to the same beneficiary on the same day. These reviews identified numerous instances of overpayments to Boston Medical Center (the Hospital) physicians because claims the Hospital submitted contained an incorrect place-of-service code.

The Hospital submits claims for the overhead expenses of medical services performed at the Hospital and bills on behalf of its physicians for Part B physician services. The Hospital's officials insisted on refunding all overpayments received resulting from these place-of-service coding errors. The Hospital asked the Office of Inspector General to verify the accuracy of its overpayment calculations so it could refund its Medicare contractor.

### **OBJECTIVE**

Our objective was to determine the amount of overpayments for claims with place-of-service coding errors submitted by the Hospital to its Medicare contractor for calendar years (CYs) 2006 through 2010.

### **SUMMARY OF FINDING**

We determined that the Hospital submitted 7,520 claims with overpayments totaling \$89,724 for physician services for CYs 2006 through 2010. The Hospital, billing on behalf of its physicians, incorrectly coded these claims by using nonfacility place-of-service codes for services that were performed in one of the Hospital's outpatient facilities.

## **RECOMMENDATION**

We recommend the Hospital refund a total of \$89,724 to the Medicare contractor for overpayments resulting from coding errors on claims submitted on behalf of Hospital physicians for CYs 2006 through 2010.

## **BOSTON MEDICAL CENTER COMMENTS**

In written comments on our draft report, the Hospital concurred with our finding and recommendation. The Hospital's comments are included in their entirety as the Appendix.

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**BOSTON MEDICAL CENTER COMMENTS**

## **INTRODUCTION**

### **BACKGROUND**

#### **Medicare Part B Payments for Physician Services**

Medicare Part B pays for services physicians provide to program beneficiaries. Physician services include medical and surgical procedures, office visits, and medical consultations. These services may be provided in facility settings, such as hospital outpatient departments and freestanding ambulatory surgical centers (ASC), or in nonfacility locations, such as physician offices, urgent care centers, and independent clinics.

Physicians are paid for services according to the Medicare physician fee schedule. This schedule is based on a payment system that includes three major categories of costs required to provide physician services: practice expense, physician work, and malpractice insurance.

#### **Medicare Reimbursement for Practice Expense**

Practice expense reflects the overhead costs involved in providing a service. To account for the increased practice expense that physicians generally incur by performing services in their offices and other nonfacility locations, Medicare reimburses physicians at a higher rate for certain services performed in these locations rather than in a hospital outpatient department or an ASC. Physicians are required to identify the place of service on the health insurance claim forms that they submit to Medicare contractors. The correct place-of-service code ensures that Medicare does not reimburse a physician incorrectly for the overhead portion of the service if the service was performed in a facility setting.

Medicare claim form instructions specifically state that each provider or practitioner is responsible for becoming familiar with Medicare coverage and billing requirements. Some physician offices submit their own claims to Medicare; other offices hire billing agents to submit their claims. Physicians are responsible for any Medicare claims submitted by billing agents.

#### **Prior Office of Inspector General Reports**

Our previous nationwide reviews (A-01-08-00528 and A-01-09-00503) found that several Medicare contractors overpaid physicians who did not correctly identify the place of service on their claims. These audits identified over a million nonfacility-coded physician services that matched outpatient hospital claims for the same type of service provided to the same beneficiary on the same day. Our recommendations in those reports called for the Medicare contractors to educate physicians regarding proper billing, recover identified overpayments, and analyze postpayment data to detect and recover overpayments for improperly billed claims. The Medicare contractors and CMS generally concurred with our recommendations.

## **Boston Medical Center**

Boston Medical Center (the Hospital) is a 639-bed acute-care hospital located in Boston, Massachusetts. The Hospital submits claims for the overhead expenses of medical services performed at the hospital. In addition, the Hospital also bills on behalf of its physicians for their Part B physician services. As the Medicare contractor for hospitals and physicians in Massachusetts, National Heritage Insurance Corporation (NHIC) processes and pays the Hospital's claims for Medicare outpatient services and its claims for physician services.

Our nationwide reviews identified numerous instances of overpayments by NHIC to the Hospital for physician claims that contained an incorrect place-of-service code in calendar years (CYs) 2006 through 2010. The Hospital's officials insisted on refunding all overpayments received resulting from these place-of-service coding errors. The Hospital asked the Office of Inspector General to verify the accuracy of its overpayment calculations so it could refund NHIC. We provided our data on the miscoded claims to the Hospital to reach agreement on the amount of the overpayments for these miscoded claims with dates of service from January 2006 through December 2010.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine the amount of overpayments for claims with place-of-service coding errors submitted by the Hospital to its Medicare contractor for CYs 2006 through 2010.

### **Scope**

Based on the Hospital's request, we performed a limited scope review to determine the accuracy of overpayments to be refunded by the Hospital for claims with physician place-of-service coding errors for CYs 2006 through 2010.

Our audit covered 7,520 nonfacility-coded physician services valued at \$348,048 that were provided in CYs 2006 through 2010 and that matched hospital outpatient claims for the same type of service provided to the same beneficiary on the same day.

The objective of our audit did not require an understanding or assessment of the complete internal control structure at the Hospital. Therefore, we limited our review of internal controls to the billing controls in place at the Hospital to prevent future program overpayments resulting from place-of-service billing errors.

We conducted our fieldwork in February 2011 through August 2011.

## **Methodology**

To accomplish our objective, we:

- reviewed applicable Medicare laws and regulations,
- used data from our place-of-service reviews for CYs 2006 through 2010 to identify all office-coded physician claims that matched claims submitted by the Hospital for the same service performed for the same beneficiary on the same date,
- calculated the difference for each of these claims between the amount paid and the amount that would have been paid had the place-of-service been coded correctly,
- obtained support for the Hospital-calculated overpayments on claims with place-of-service errors in CYs 2006 through 2010,
- compared our data to the Hospital's support documentation and worked with the Hospital to verify the accuracy of the overpayment total to ensure the completeness of the refund, and
- discussed the results of our review with officials of both the Hospital and NHIC.

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 objective.

## **FINDING AND RECOMMENDATION**

We determined that the Hospital submitted claims with overpayments totaling \$89,724 for physician services for CYs 2006 through 2010. The Hospital, billing on behalf of its physicians, incorrectly coded these claims by using nonfacility place-of-service codes for services that actually were performed in one of the Hospital's outpatient clinic facilities.

### **PAYMENTS BASED ON INCORRECT PLACE OF SERVICE**

#### **Medicare Requirements**

Medicare payment for physician services is based on the lower of the actual charge or the physician-fee-schedule amount.<sup>1</sup>

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<sup>1</sup>Section 1848(a)(1) of the Social Security Act, 42 U.S.C. § 1395w-4(a)(1).

For a physician to receive the higher nonfacility practice expense payment for a service, the service must meet the requirements of 42 CFR § 414.22(b)(5)(i)(B), which, during the period of our review, stated: “The higher nonfacility practice expense [relative value units] apply to services performed in a physician’s office, a patient’s home, a nursing facility, or a facility or institution other than a hospital or skilled nursing facility, community mental health center, or ASC performing an ASC approved procedure.” CMS publishes a quarterly physician fee schedule in the Federal Register showing those services that have a higher payment rate if performed in a nonfacility setting.

### **Results of Review**

The Hospital submitted 7,520 incorrectly coded claims for physician services for CYs 2006 through 2010. The Hospital, billing on behalf of its physicians, incorrectly coded these claims by using nonfacility place-of-service codes for services that actually were performed in one of the Hospital’s outpatient clinic facilities. When these services were billed with the incorrect office place-of-service code, the physicians were paid the higher nonfacility practice expense payment that they were not entitled. As a result, NHIC incorrectly reimbursed the Hospital on behalf of its physicians for the overhead portion of their services.

By repricing claims using the correct place-of-service code, we determined that NHIC overpaid the Hospital, on behalf of its physicians, \$89,724 for the 7,520 services that the Hospital had billed incorrectly.

### **Inadequate Billing Controls**

Sample items from our prior nationwide reviews identified that the Hospital did not have adequate controls to ensure that its physician services claims were billed in accordance with Medicare regulations during CYs 2006 through 2010. At that time, the Hospital researched the problem and identified the system errors resulted from implementation of new software in March 2006. Specifically, an undetected flaw in the design or implementation of the software used for billing physician services claims caused all physician services claims to be submitted with a nonfacility location as the place of service.

We verified that the Hospital had corrected the cause of the coding errors in November 2010 by correcting its billing software for physician services performed at one of the Hospital’s clinics to reflect the accurate facility place-of-service code.

### **RECOMMENDATION**

We recommend the Hospital refund a total of \$89,724 to the Medicare contractor for overpayments resulting from coding errors on claims submitted on behalf of Hospital physicians for CYs 2006 through 2010.

## **BOSTON MEDICAL CENTER COMMENTS**

In written comments on our draft report, the Hospital concurred with our finding and recommendation. The Hospital's comments are included in their entirety as the Appendix.

# **APPENDIX**



**APPENDIX: BOSTON MEDICAL CENTER COMMENTS**

EXCEPTIONAL CARE. WITHOUT EXCEPTION.

One Boston Medical Center Place  
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November 10, 2011

By Certified Mail, Return Receipt

Mr. Michael Armstrong  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services, Region I  
John F. Kennedy Federal Building  
Boston, MA 02203

Re: Report Number A-01-11-00508

Dear Mr. Armstrong:

The letter is on behalf of Boston Medical Center Corporation in response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG), draft report entitled Place-Of-Service Overpayments Refund Verification for Boston Medical Center for Calendar Years 2006 Through 2010.

Boston Medical Center concurs with the recommendation and agrees to refund the sum of \$89,724 to the Medicare contractor for CY 2006 through 2010. For dates of services on or after December 1, 2010, the dictionary of the electronic billing system has been corrected to reflect that services are being performed at a satellite of the Hospital (i.e., place of service code #22).

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Rita B. Gylvs", written over a horizontal line.

Rita B. Gylvs  
Associate General Counsel

Encl.

cc: Ms. Barbara Lottero