

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF OUTPATIENT CARDIAC
REHABILITATION SERVICES AT
POTTSVILLE HOSPITAL,
POTTSVILLE, PENNSYLVANIA**



**OCTOBER 2003
A-03-03-00009**

Office of Inspector General

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Memorandum

Date OCT 28 2003

From Regional Inspector General for Audit Services

Subject Audit Report – REVIEW OF OUTPATIENT CARDIAC REHABILITATION SERVICES AT POTTSVILLE HOSPITAL, POTTSVILLE, PENNSYLVANIA (Report Number A-03-03-00009)

To Sonia A. Madison
Regional Administrator
Centers for Medicare & Medicaid Services

Attached are two copies of the Department of Health and Human Services (HHS), Office of Inspector General's report entitled "Review of Outpatient Cardiac Rehabilitation Services at Pottsville Hospital, Pottsville, Pennsylvania." This review is part of a nationwide analysis of Medicare reimbursement for outpatient cardiac rehabilitation services. The objectives of our review were to ascertain whether Pottsville Hospital's (Pottsville) policies and procedures complied with Medicare requirements and whether Medicare properly reimbursed Pottsville for outpatient cardiac rehabilitation services. Should you have any questions or comments concerning the matters commented on in this report, please contact me or have your staff contact Eugene Berti, Audit Manager at 215-861-4474.

To facilitate identification, please refer to Report Number A-03-03-00009 in all correspondence relating to this report.

A handwritten signature in black ink, appearing to read "Stephen Virbitsky".

Stephen Virbitsky

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL
OFFICE OF AUDIT SERVICES
150 S. INDEPENDENCE MALL WEST
SUITE 316
PHILADELPHIA, PENNSYLVANIA 19106-3499

OCT 28 2003

Report Number: A-03-03-00009

John E. Simodejka
President and Chief Executive Officer
Pottsville Hospital
420 South Jackson Street
Pottsville, Pennsylvania 17901-3692

Dear Mr. Simodejka:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General's report entitled "Review of Outpatient Cardiac Rehabilitation Services at Pottsville Hospital, Pottsville, Pennsylvania." This review is part of a nationwide analysis of Medicare reimbursement for outpatient cardiac rehabilitation services. The objectives of our review were to ascertain whether Pottsville Hospital's (Pottsville) policies and procedures complied with Medicare requirements and whether Medicare properly reimbursed Pottsville for outpatient cardiac rehabilitation services. Should you have any questions or comments concerning the matters commented on in this report, please direct them to the HHS official named below.

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's reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise (see 45 CFR Part 5).

To facilitate identification, please refer to Report Number A-03-03-00009 in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Stephen Virbitsky", with a long horizontal flourish extending to the right.

Stephen Virbitsky
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Sonia Madison
Regional Administrator
Centers for Medicare & Medicaid Services, Region III
Public Ledger Building, Suite 216
150 S. Independence Mall West
Philadelphia, PA 19106-3499

EXECUTIVE SUMMARY

BACKGROUND

This review is part of a nationwide analysis of Medicare reimbursement for outpatient cardiac rehabilitation services. The analysis was requested by the Administrator of the Centers for Medicare & Medicaid Services (CMS) to determine the level of provider compliance with national Medicare outpatient cardiac rehabilitation policies.

OBJECTIVE

The overall objective of our review was to determine whether Medicare properly reimbursed Pottsville for outpatient cardiac rehabilitation services. Specifically, we determined whether:

- Pottsville's policies and procedures reflected Medicare cardiac rehabilitation coverage requirements for direct physician supervision, "incident to" services, and Medicare covered diagnoses; and
- Payments to Pottsville for outpatient cardiac rehabilitation services provided to Medicare beneficiaries during Calendar Year (CY) 2001 were for Medicare covered diagnoses, were supported by adequate documentation, and were otherwise allowable for reimbursement.

RESULTS OF AUDIT

Even though physician supervision is assumed to be met in an outpatient hospital department, Pottsville contracted with two physicians to supervise the services provided by its cardiac rehabilitation program. The physicians' responsibilities included approving the cardiac rehabilitation plans of care and reviewing patients' medical records. However, our review disclosed that the physicians generally were not in the exercise area during regularly scheduled exercise sessions, nor did they generally see the patients.

In addition, from our specific claims review for a sample of 30 beneficiaries who received outpatient cardiac rehabilitation services during CY 2001, we determined that Pottsville received Medicare payments of \$395 for:

- Services where the diagnoses used to establish the patients' eligibility for cardiac rehabilitation may not have been supported by medical records (two beneficiaries); and
- Incorrectly billed claims (two beneficiaries).

The sample errors and Medicare payments are part of a larger statistical sample and will be included in a multistate projection of outpatient cardiac rehabilitation service claims not meeting Medicare coverage requirements.

We attribute these questionable services to weaknesses in Pottsville's internal controls and oversight procedures. Most notably, Pottsville did not consistently ensure that beneficiaries had a Medicare covered diagnosis supported by the referring physicians' medical records; that the supporting documentation for Medicare billings and reimbursements for outpatient cardiac rehabilitation services was maintained; and that the covered diagnoses were adequately supported in Pottsville's medical records.

Our determinations regarding Medicare covered diagnoses were based solely on our review of the medical record documentation. We believe that Pottsville's fiscal intermediary, Veritus Medicare Services (Veritus), should make a determination as to the allowability of the Medicare claims and appropriate recovery action to be taken.

RECOMMENDATIONS

We recommend that Pottsville:

- Work with Veritus to ensure that Pottsville's outpatient cardiac rehabilitation program is being conducted in accordance with the Medicare coverage requirements for (1) direct physician supervision and (2) services provided "incident to" a physician's professional service;
- Work with Veritus to establish the amount of repayment liability, estimated to be \$395, for services provided to beneficiaries where medical documentation may not have supported Medicare covered diagnoses and for services not otherwise allowable; and
- Enhance existing policies to ensure that medical record documentation is obtained and maintained to support Medicare outpatient cardiac rehabilitation services.

AUDITEE'S COMMENTS

Pottsville responded to our draft report in a letter dated September 3, 2003. Pottsville agreed with our recommendations to work with Veritus to ensure its program complies with Medicare requirements and to establish the amount of repayment liability. Pottsville did not agree with the amount of the liability and provided additional documentation to support its conclusion. Pottsville's comments to our report and our response are summarized below. Pottsville's comments are included as APPENDIX B.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We believe that the actions proposed by Pottsville, when implemented, will address our recommendations. We reviewed Pottsville's additional documentation and conducted additional audit steps and adjusted the amount of estimated repayment liability accordingly.

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INTRODUCTION

BACKGROUND

Medicare Coverage

The Medicare program, established by Title XVIII of the Social Security Act (Act), provides health insurance to people aged 65 and over, the disabled, people with end stage renal disease, and certain others who elect to purchase Medicare coverage. The Medicare program is administered by the CMS. CMS currently covers Phase II outpatient cardiac rehabilitation programs conducted in specialized, free-standing cardiac rehabilitation clinics and in outpatient hospital departments under the “incident to” benefit (section 1861(s)(2)(A) of the Act).

Medicare coverage policy for cardiac rehabilitation services is found in section 35-25 of the Medicare Coverage Issues Manual. Medicare coverage of outpatient cardiac rehabilitation is considered reasonable and necessary only for patients with a clear medical need, who are referred by their attending physicians, and (1) have a documented diagnosis of acute myocardial infarction within the preceding 12 months, (2) have had coronary artery bypass graft surgery, and/or (3) have stable angina pectoris. Services provided in connection with the cardiac rehabilitation program may be considered reasonable and necessary for up to 36 sessions, usually 3 sessions per week in a single 12-week period. Each cardiac rehabilitation session is considered to be one unit of service.

Cardiac rehabilitation is provided by nonphysician personnel, who are trained in both basic and advanced life support techniques and exercise therapy for coronary disease, under the direct supervision of a physician. Direct supervision means that a physician must be in the exercise area and immediately available and accessible for an emergency at all times the exercise program is conducted. It does not require a physician to be physically present in the exercise room itself. For outpatient therapeutic services provided in a hospital, the Medicare Intermediary Manual states, “The physician supervision requirement is generally assumed to be met where the services are performed on hospital premises.”

In order to be covered under the “incident to” benefit in an outpatient hospital department, services must be furnished as an integral, although incidental part of the physician’s professional service in the course of diagnosis or treatment of an illness or injury. This does not mean that each occasion of service by a nonphysician need also be the occasion of the actual rendition of a personal professional service by the physician. However, during any course of treatment rendered by auxiliary personnel, the physician must personally see the patient periodically and sufficiently often to assess the course of treatment and the patient’s progress and, where necessary, to change the treatment program.

Cardiac Rehabilitation Programs

Cardiac rehabilitation consists of comprehensive programs involving medical evaluation, prescribed exercise, cardiac risk factor modification, education, and counseling. Cardiac rehabilitation programs are typically divided into three phases, as follows:

- Phase I. Phase I rehabilitation is initiated in the acute convalescent period following a cardiac event during the hospital phase of treatment. This phase of cardiac rehabilitation is considered part of the hospital stay and is covered as part of the Medicare diagnosis-related group allowance for the hospital stay.
- Phase II. Phase II begins with a physician's prescription (referral) after the acute convalescent period and after it has been determined that the patient's clinical status and capacity will allow for safe participation in an individualized progressive exercise program. This phase requires close monitoring and is directed by a physician who is on-site. Phase II outpatient cardiac rehabilitation is covered by Medicare.
- Phase III. Phase III begins after completion of Phase II and involves a less intensively monitored aerobic exercise program. Phase III level programs are considered maintenance and are not covered by Medicare.

Medicare reimburses outpatient hospital departments for cardiac rehabilitation services under the outpatient prospective payment system. Cardiac rehabilitation services are paid by a Medicare fiscal intermediary (FI) based on an ambulatory payment classification. The FI for Pottsville is Veritus. For CY 2001, Pottsville provided outpatient cardiac rehabilitation services to 32 Medicare beneficiaries and received \$10,843 in Medicare reimbursements for these services.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our review is part of a nationwide analysis of Medicare reimbursement for outpatient cardiac rehabilitation services. The analysis was requested by the CMS Administrator to determine the level of provider compliance with Medicare coverage requirements for outpatient cardiac rehabilitation services. As such, the overall objective of our review was to determine whether Medicare properly reimbursed Pottsville for outpatient cardiac rehabilitation services. Specifically, we determined whether:

- Pottsville's policies and procedures reflected Medicare cardiac rehabilitation coverage requirements for direct physician supervision, "incident to" services, and Medicare covered diagnoses; and
- Payments to Pottsville for outpatient cardiac rehabilitation services provided to Medicare beneficiaries during CY 2001 were for Medicare covered diagnoses, were supported by adequate documentation, and were otherwise allowable for reimbursement.

Scope

To accomplish these objectives, we reviewed Pottsville's policies and procedures and interviewed staff to gain an understanding of Pottsville's management of its outpatient cardiac rehabilitation program and the billing procedures for cardiac rehabilitation services. In addition, we reviewed Pottsville's cardiac rehabilitation services documentation, hospital medical records, referring physician supporting medical records and referrals, and Medicare reimbursement data for a statistical sample of beneficiaries who received outpatient cardiac rehabilitation services from Pottsville during CY 2001 as part of a multistate statistical sample. We reviewed Pottsville's outpatient cardiac rehabilitation procedures for and controls over physician supervision, cardiac rehabilitation program staffing, maintenance and availability of advanced cardiac life support (ACLS) equipment, and documentation of services provided and billed to Medicare.

Pottsville's sample included 30 of 32 Medicare beneficiaries who received outpatient cardiac rehabilitation services from Pottsville during CY 2001. We reviewed all Medicare paid claims for cardiac rehabilitation services provided to these 30 beneficiaries during CY 2001.

Our audit was conducted in accordance with generally accepted government auditing standards.

Methodology

We compared Pottsville's policies and procedures for outpatient cardiac rehabilitation to national Medicare coverage requirements and Veritus' local medical review policy and identified any differences. We documented how Pottsville staff provided direct physician supervision for cardiac rehabilitation services and verified that Pottsville's cardiac rehabilitation program personnel were qualified in accordance with Medicare requirements. We also verified the availability of ACLS equipment in the cardiac rehabilitation exercise area.

For each sampled beneficiary, we obtained the CY 2001 Medicare outpatient cardiac rehabilitation paid claims and lines of service and compared this data to Pottsville's outpatient cardiac rehabilitation service documentation. We reviewed the medical records maintained by the cardiac rehabilitation program to determine whether services were provided "incident to" a physician's professional service. We also verified the accuracy of the diagnoses identified on the Medicare claims to each beneficiary's hospital medical record, the referring physician's medical record and referral (for beneficiaries with angina or no readily identifiable Medicare covered diagnosis), and Pottsville's outpatient cardiac rehabilitation medical record. In addition, we verified that Medicare did not reimburse Pottsville beyond the maximum number of services allowed.

The medical records have not yet been reviewed by the FI staff. In accordance with the intent of CMS's request for a nationwide analysis, we determined the extent to which providers were currently complying with existing Medicare coverage requirements.

We performed our fieldwork at Pottsville Hospital, Pottsville, Pennsylvania, and the Philadelphia Regional Office between May and July 2003.

RESULTS OF AUDIT

Even though physician supervision is assumed to be met in an outpatient hospital department, Pottsville contracted with two physicians to supervise the services provided by its cardiac rehabilitation program staff. The physicians' responsibilities included approving the cardiac rehabilitation plans of care and reviewing patients' medical records. However, our review disclosed that the physicians generally were not in the exercise area during regularly scheduled exercise sessions, and they generally did not see the patients.

In addition, from our specific claims review for a sample of 30 beneficiaries receiving outpatient cardiac rehabilitation services during CY 2001, we determined that Pottsville received Medicare payments of \$395 for:

- Services where the diagnoses used to establish the patients' eligibility for cardiac rehabilitation may not have been supported by medical records (2 beneficiaries); and
- Incorrectly billed claims (2 beneficiaries).

PHYSICIAN INVOLVEMENT IN OUTPATIENT CARDIAC REHABILITATION

Direct Physician Supervision

Medicare requirements for outpatient cardiac rehabilitation state that direct supervision means that a physician must be in the exercise area and immediately available and accessible for an emergency at all times the exercise program is conducted. The physician supervision requirement is generally assumed to be met when the services are performed on hospital premises.

According to Pottsville cardiac rehabilitation center personnel, the medical directors, both physicians, are under contract to provide direct physician supervision to the cardiac rehabilitation center's exercise staff. The medical directors' contracts required that they "supervise delivery of professional services at the Service with the authority to direct professional activities of the Service; monitor the operation and delivery of professional and support services at the Service; and ensure timely completion of medical records by Service personnel." However, neither the medical directors' contracts nor the cardiac rehabilitation program's policies and procedures required the medical directors to be in the exercise area or immediately available during exercise hours. Rather, during exercise hours, the medical directors could be in their office located one floor above the exercise area or visiting their patients within the hospital. The medical directors did visit the exercise area, but only on a walk-through basis.

We determined that one of the registered nurses supervised the daily cardiac rehabilitation activities, but in the event of an emergency, the cardiac rehabilitation center staff relies on an emergency response team that includes a Code Blue team and a medical director. Until the team's arrival, the trained cardiac rehabilitation staff would initiate ACLS techniques. The Code Blue team is comprised of four nurses (A, B, C, and E). The A nurse is responsible for

monitoring, defibrillating, and administering medications; the B nurse is responsible for maintaining the airway and ventilating the patient until respiratory therapy arrives; the C nurse is responsible for performing chest compressions; and the E nurse is responsible for completing the Code Blue Record and the Code Blue Evaluation Form and for assisting with traffic control in the area. During the emergency, the cardiac center's medical director is responsible for supervising the activities. The Code Blue team personnel respond to all blue codes that occur throughout the hospital, including the cardiac rehabilitation center.

Although Medicare policy provides that physician supervision is assumed to be met in an outpatient hospital department, we believe that Pottsville should work with Veritus to ensure that Pottsville's practices of contracting with the medical directors and utilizing a Code Blue response team conforms to Medicare requirements.

“Incident To” Physician Services

Medicare covers Phase II cardiac rehabilitation under the “incident to” benefit. In an outpatient hospital department, the “incident to” benefit does not require that a physician perform a personal professional service on each occasion of service by a nonphysician. However, during any course of treatment rendered by auxiliary personnel, the physician must personally see the patient periodically and sufficiently often to assess the course of treatment, the patient's progress and, where necessary, to change the treatment program.

At Pottsville, the physicians approved the history and fitness portion of the plans of care and performed the reviews of patients' records. According to Pottsville's policies and procedures, after a physician refers a patient to Pottsville's cardiac rehabilitation center, the center's staff conducts a patient orientation. During the orientation, the staff discusses the patient's limitations by reviewing the referring physician recommendations, the patient's medical and exercise histories, patient education, and the benefits of exercise. The clinical staff then develops, and one of the medical directors approves, the plan of care, specifically the history and fitness form. We observed that one of the medical directors signed the sampled beneficiaries' history and fitness page within the plan of care as evidence of approval.

The medical directors review patient progress and problems during their review of patients' medical records. Although Pottsville does not have a schedule as to how often these reviews should be conducted and does not require a physician's signature as evidence of their involvement, we believe that the directors participated in patient records' reviews based on our discussions with the cardiac staff and a medical director.

The medical directors generally did not see the patients, except during occasional walk-throughs of the cardiac rehabilitation center. Additionally, Pottsville did not specifically require that the medical directors personally see the patients. According to one of the medical directors, he would see his own patients (those he referred to the program) during the program via office visits and informally during walk-throughs. But the director stressed, especially for patients referred by another physician, that his role at the cardiac rehabilitation center is not that of the patients' primary care physician. The director said that he is able to determine the appropriateness of the patients' treatments by relying on the cardiac rehabilitation center staff's assessment of the

patients, the progress recorded in the patients' records, and discussions with cardiac rehabilitation staff.

Even though we observed that the medical directors signed the history and fitness section of the plans of care as evidence of their approval, and the directors walked through the cardiac rehabilitation center, we were not able to determine whether this level of involvement met Medicare's requirements to provide an "incident to" service. Accordingly, we recommend that Pottsville coordinate with Veritus to ensure that Pottsville's cardiac rehabilitation program is in accordance with Medicare's requirements for "incident to" services.

MEDICARE COVERED DIAGNOSES AND DOCUMENTATION

Medicare coverage policy considers cardiac rehabilitation services reasonable and necessary only for patients with a clear medical need, who are referred by their attending physicians, and (1) have a documented diagnosis of acute myocardial infarction within the preceding 12 months, (2) have had coronary artery bypass graft surgery, and/or (3) have stable angina pectoris. Additionally, Medicare requires the provider to maintain documentation for these services in the patients' medical records.

Our statistical sample of 30 of 32 Pottsville Medicare beneficiaries, with claims for 701 outpatient cardiac rehabilitation services amounting to \$9,916 during CY 2001, disclosed that Medicare claims for 4 beneficiaries contained 4 errors totaling \$395. Categories of errors and underlying causes are presented below.

Categories of Errors

Medicare Covered Diagnoses

For two beneficiaries, Pottsville billed and received Medicare payments for outpatient cardiac rehabilitation services even when the diagnosis used to establish the beneficiaries' eligibility to enter the program may not have been supported by the medical records. As shown in APPENDIX A, Table 1, we determined that sampled beneficiaries participated in the cardiac rehabilitation program based on the following Medicare covered diagnoses: myocardial infarction (11 beneficiaries); coronary artery bypass graft surgery (11 beneficiaries); myocardial infarction and coronary artery bypass graft surgery (4 beneficiaries); and stable angina (2 beneficiaries). Two beneficiaries' participation in the cardiac rehabilitation program was not based on a Medicare covered diagnosis.

For 25 of the 26 beneficiaries with diagnoses of myocardial infarction, coronary artery bypass graft surgery, or both, medical records contained documentation to support the diagnoses. One beneficiary with both myocardial infarction and coronary artery bypass graft surgery diagnoses, began the program based on a myocardial infarction diagnosis, but underwent coronary artery bypass graft surgery approximately 1 month after starting the program. Medical records may not have supported the initial myocardial infarction diagnosis.

Of the remaining four beneficiaries: one beneficiary's medical records supported an angina diagnosis; one beneficiary's medical records did not appear to indicate that the beneficiary continued to experience stable angina post-procedure; and two beneficiaries' medical records supported non-covered diagnosis (discussed later in the report).

The one beneficiary whose stable angina may not have been supported by medical records received treatment at an area hospital for ischemia, but the beneficiary's medical record documentation did not contain the specific diagnosis "stable angina." According to the hospital records, the beneficiary underwent a cardiac catheterization procedure. After the procedure, the beneficiary's physician referred the patient to the outpatient cardiac rehabilitation program at Pottsville. Based on Pottsville's policies, the cardiac rehabilitation center staff then conducted an initial assessment of the beneficiary.

For this beneficiary and the beneficiary who initially experienced a myocardial infarction, we found the documentation maintained by Pottsville did not indicate whether the patients experienced angina symptoms post-procedure or had another Medicare covered diagnosis. Consequently, to validate a stable angina diagnosis or another Medicare covered diagnosis, we obtained and reviewed the hospital medical records or billing information as well as the referring physicians' medical records. The medical records obtained covered the dates of the beneficiaries' hospital visit/stay through their completion of Phase II of the cardiac rehabilitation program.

For the two beneficiaries, our review of the subsequent information did not reveal any indications that the beneficiaries (1) experienced stable angina post-procedure and throughout their completion of Phase II of the cardiac rehabilitation program or (2) had another Medicare covered diagnosis within 1 year prior to beginning the cardiac rehabilitation program. As a result, Medicare may have inappropriately paid \$185 to Pottsville for the cardiac rehabilitation services provided to these two beneficiaries.

Billing Procedures

For 2 of the 30 sampled beneficiaries, Pottsville incorrectly billed for services after determining the beneficiary did not have a Medicare covered diagnosis. For one beneficiary, Pottsville billed Veritus using the diagnosis code for "Organ or tissue replacement by other means; Heart valve." Pottsville knew that Medicare, the patient's primary insurer, would not cover the services, but the patient's secondary insurer required a denial from Medicare before it would pay. Therefore, Pottsville billed Veritus, the Medicare FI, for the patients' 3 months of service. Veritus denied 2 months of services, but paid Pottsville \$153 for 1 month's services.

For the second beneficiary, Pottsville billed Medicare using the diagnosis code for "Other specified forms of chronic ischemic heart disease." The beneficiary's physician originally wrote the referral for stable angina. However, the cardiac rehabilitation staff determined that ischemic heart disease was the more appropriate diagnosis after reviewing the patient's medical history and consulting with the referring physician. Although Pottsville changed the diagnosis code on its claims, Veritus paid \$57 for this beneficiary's claims.

UNDERLYING CAUSES FOR ERRORS

Medicare Covered Diagnoses

Pottsville did not ensure that beneficiaries stated Medicare covered diagnoses were supported by medical documentation prior to providing cardiac rehabilitation services and billing Medicare. Without such documentation, Pottsville could not ensure the patients' participation in the cardiac program was in compliance with Medicare requirements.

Billing Procedures

At Pottsville, the cardiac rehabilitation center billed claims for services monthly. For the beneficiary with the heart valve replacement, Pottsville appropriately included a specific "do not pay" code on claims for 2 months, and Veritus did not pay. But for 1 month, Pottsville's claim did not include this specific code and Veritus paid the claims.

For the beneficiary with ischemic heart disease, Pottsville changed the diagnosis code based on the information acquired after the beneficiary began participating in the program, but Pottsville did not recognize that the new diagnosis should not be billed before the first month's claims were submitted to Veritus. During 2001, Veritus' system did not contain system edits that would have precluded the system from paying for services with non-covered Medicare diagnoses.

Our audit conclusions, particularly those regarding Medicare covered diagnoses, were not validated by medical personnel. Therefore, we believe that Veritus should determine the allowability of the cardiac rehabilitation services and the proper recovery action to be taken. The results from our sample will be included in a multistate estimate of Medicare reimbursements for outpatient cardiac rehabilitation services that may not have met Medicare coverage requirements or were otherwise unallowable for payment.

RECOMMENDATIONS

We recommend that Pottsville:

- Work with Veritus to ensure that Pottsville's outpatient cardiac rehabilitation program is being conducted in accordance with the Medicare coverage requirements for (1) direct physician supervision and (2) services provided "incident to" a physician's professional service;
- Work with Veritus to establish the amount of repayment liability, estimated to be \$395, for services provided to beneficiaries where medical documentation may not have supported Medicare covered diagnoses and for services not otherwise allowable; and
- Enhance existing policies to ensure that medical record documentation is obtained and maintained to support Medicare outpatient cardiac rehabilitation services.

AUDITEE'S COMMENTS

In a letter dated September 3, 2003, Pottsville officials stated that they:

- Agreed to work with Veritus to ensure Pottsville's cardiac rehabilitation program is being conducted in accordance with Medicare requirements;
- Agreed to work with Veritus to establish the amount of repayment liability. However, Pottsville disputed the \$666 estimated amount reported in our draft report because Pottsville stated that Veritus performed a prepayment review of the services for one of the beneficiaries, and Veritus made payment after the review;
- Agreed that no cardiac rehabilitation services would begin until Pottsville receives and reviews the complete patient medical record;
- Determined that they cannot meet current guidelines for stable angina and will no longer accept patients with that diagnosis; and
- Submitted claim adjustments to Veritus for the two beneficiaries with billing errors, and Veritus retracted the payments.

Pottsville's comments are presented as APPENDIX B. We excluded the six pages of patient account detail supplied by Pottsville because the detail contained patient specific information.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We believe that the actions proposed by Pottsville, when implemented, should address our recommendations. We contacted Veritus and confirmed Pottsville's statements with respect to the prepayment review of one beneficiary's claims. We modified our conclusions to reflect that the beneficiary did have a Medicare covered diagnosis. This report, therefore, does not reflect any errors for this beneficiary related to Medicare covered diagnosis. Although we verified that Veritus retracted the payments related to the billing procedure errors, we found that Veritus made the adjustments subsequent to our audit notification. Therefore, we did not adjust our estimated repayment liability.

APPENDIXES

STATISTICAL SAMPLE SUMMARY OF ERRORS

The following table summarizes the errors identified during testing of our statistically selected sample of 30 Medicare beneficiaries who received outpatient cardiac rehabilitation services from Pottsville during CY 2001. The 30 beneficiaries reviewed were part of a multistate statistical sample. The results of our sample will be included in a multistate estimate of Medicare reimbursements for outpatient cardiac rehabilitation services that may not have met Medicare coverage requirements or were otherwise unallowable for payment.

Table 1. Summary of Errors by Beneficiary Diagnosis and Type of Error

Sampled Beneficiaries with Diagnosis	Medicare Covered Diagnosis	Sampled Beneficiaries with Errors	Medicare Covered Diagnosis Errors	Billing Procedure Errors	Total Errors
11	Myocardial Infarction (MI)	0	0	0	0
11	Coronary Artery Bypass Graft Surgery (CABG)	0	0	0	0
4	MI and CABG	1	1	0	1
2	Stable Angina	1	1	0	1
2	No Covered Diagnosis	2	0	2	2
30		4	2	2	4



John E. Simodejka, President/CEO

September 3, 2003

Mr. Stephen Virbitsky
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of the Inspector General
150 S. Independence Mall West
Suite 316
Philadelphia, PA 19106-3499

RE: Report Number A-03-03-00009

Dear Mr. Virbitsky:

As per the draft report entitled "Review of Outpatient Cardiac Rehabilitation Services at The Pottsville Hospital, Pottsville, Pennsylvania", I am replying back to your office the Pottsville Hospital's comments on this document:

RESULTS OF AUDIT, "EXECUTIVE SUMMARY"

1. The Hospital does not concur on the comment regarding "Services where the diagnosis used to establish the patients' eligibility for cardiac rehabilitation may not have been met (3 beneficiaries)." One of the patients identified had a prepayment review by Veritus Medicare Medical Review Department. Payment was received after that review. The Hospital feels the prepayment review was sufficient on that patient and should not return that payment of \$270.75. The documentation of that request from Veritus is attached (Attachment #1 & Attachment #1A).

**BILLING PROCEDURES: PAGE 8
RESPONSE AND CORRECTIVE ACTION PLAN**



BENEFICIARY WITH "HEART VALVE REPLACEMENT"

1. The Hospital concurs that it submitted one of the three claims without the no pay code. The Hospital has notified Veritus to retract the payment amount due to a non-covered diagnosis, and Veritus has retracted the payment. Documentation of the repayment is attached (Attachment #2).



Mr. Stephen Virbitsky
September 3, 2002
Page Two

BENEFICIARY WITH "ISCHEMIC HEART DISEASE"

2. The Hospital concurs that the physician originally referred the patient with the diagnosis of stable angina and treated the patient. The Hospital concurs that after reviewing the requested information it identified that the stable angina was not the appropriate diagnosis and changed the diagnosis. The Hospital acknowledges that it billed for the first days of treatment using the referred information submitted by the physician. The Hospital has notified Veritus to retract the payment for what turns out to be a non-covered diagnosis and Veritus has retracked the payment. Documentation of the repayment is attached (Attachment #3).

RECOMMENDATIONS:

The Hospital concurs that it should work with Veritus to insure that the Cardiac Rehabilitation Program is being conducted in accordance with the Medicare requirements for (1) direct physician supervision, and (2) services provided "incident to" a physician professional service.

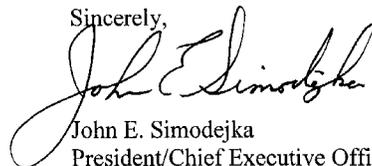
The Hospital concurs to work with Veritus to establish the amount of repayment. Although, the Hospital does not concur on the estimated amount of \$666.00. As identified above, Veritus conducted a prepayment review of \$270.75 and paid the claim after that review.

The Hospital concurs that no cardiac rehabilitation services will be begun until the complete patient medical record is received and reviewed. Previously, we would begin services based on the physician's referral and stated diagnosis.

Also, after several conversations with our local Veritus intermediary, we have determined that we cannot meet with their current guidelines for stable angina. Therefore, we will no longer be accepting patients for this diagnosis.

The Pottsville Hospital and Warne Clinic Cardiac Rehabilitation Program remains committed to meeting the healthcare needs of our patients and billing correctly for these services as required by the Office of Inspector General guidelines. Please do not hesitate to contact me directly at 570-621-5111 with any questions you may have.

Sincerely,



John E. Simodejka
President/Chief Executive Officer

JES:ljh
Attachments

ACKNOWLEDGMENTS

This report was prepared under the direction of Stephen Virbitsky, Regional Inspector General for Audit Services. Other principal Office of Audit Services staff that contributed includes:

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