



Office of Audit Services, Region III  
Public Ledger Building, Suite 316  
150 S. Independence Mall West  
Philadelphia, PA 19106-3499

January 23, 2012

Report Number: A-03-11-00009

Mr. Joseph Ingold  
Vice President, Revenue Cycle  
Bon Secours Richmond Health System, Inc.  
5801 Bremo Road  
Richmond, VA 23226

Dear Mr. Ingold:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Medicare Acute Care Inpatient Same-Day Readmissions at St. Mary's Hospital*. 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 Leonard Piccari, Audit Manager, at (215) 861-4493 or through email at [Leonard.Piccari@oig.hhs.gov](mailto:Leonard.Piccari@oig.hhs.gov). Please refer to report number A-03-11-00009 in all correspondence.

Sincerely,

/Stephen Virbitsky/  
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  
Kansas City, MO 64106

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF MEDICARE  
ACUTE CARE INPATIENT  
SAME-DAY READMISSIONS AT  
ST. MARY'S HOSPITAL**



**Daniel R. Levinson  
Inspector General**

**January 2012  
A-03-11-00009**

# *Office of Inspector General*

<http://oig.hhs.gov>

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# *Notices*

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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.

## **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**

Title XVIII of the Social Security Act (the Act) established the Medicare program, which provides health insurance coverage to people aged 65 and over, people with disabilities, and people with end-stage renal disease. Medicare Part A provides inpatient hospital insurance benefits and extended care services for patients who have been discharged from the hospital. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program.

Section 1886(d) of the Act established the prospective payment system (PPS) for inpatient hospital services. Under the PPS, CMS pays hospital costs at predetermined rates for patient discharges. The rates vary according to the diagnosis-related group (DRG) to which a beneficiary's stay is assigned. The DRG payment is, with certain exceptions, payment in full to the hospital for all inpatient costs associated with the beneficiary's stay.

St. Mary's Hospital is a 391 bed, nonprofit, acute care hospital affiliated with Bon Secours Richmond Health System in Richmond, Virginia. During calendar years 2008 through 2010, St. Mary's Hospital received \$404,714 for 53 readmissions for which an inpatient was discharged and readmitted on the same day.

### **OBJECTIVE**

Our objective was to determine whether St. Mary's Hospital billed Medicare for same-day readmissions in accordance with Federal requirements.

### **SUMMARY OF FINDINGS**

St. Mary's Hospital did not always bill same-day readmissions in accordance with Federal requirements. For 17 of the 53 same-day readmissions in our review, St. Mary's Hospital incorrectly billed the second admission as a separate inpatient stay instead of a continuous stay based on the first admission, resulting in \$89,439 in overpayments. These overpayments occurred because St. Mary's Hospital did not have adequate training to review same-day readmissions and prevent incorrect billings.

### **RECOMMENDATIONS**

We recommend that St. Mary's Hospital:

- refund to the Federal Government \$89,439 for 17 incorrectly billed same-day readmissions and
- strengthen training to ensure that policies and procedures are followed and same-day readmissions are reviewed and billed correctly.

## **ST. MARY'S HOSPITAL COMMENTS**

In written comments on our draft report, St. Mary's Hospital concurred with our findings and recommendations and outlined actions it has taken to address them. St. Mary's Hospital comments are included in their entirety as an Appendix to this report.

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## INTRODUCTION

### BACKGROUND

Title XVIII of the Social Security Act (the Act) established the Medicare program, which provides health insurance coverage to people aged 65 and over, people with disabilities, and people with end-stage renal disease. Medicare Part A provides inpatient hospital insurance benefits and coverage of extended care services for patients who have been discharged from the hospital. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program.

### Hospital Inpatient Prospective Payment System

Section 1886(d) of the Act established the prospective payment system (PPS) for inpatient hospital services. Under the PPS, CMS pays hospital costs at predetermined rates for patient discharges. The rates vary according to the diagnosis-related group (DRG) to which a beneficiary's stay is assigned. The DRG payment is, with certain exceptions, payment in full to the hospital for all inpatient costs associated with the beneficiary's stay.

### Inpatient Same-Day Readmissions

The Medicare Claims Processing Manual, Pub. No. 100-04 (the Manual), chapter 3, section 40.2.5, states that when a patient is discharged/transferred from an acute care PPS hospital and is readmitted to the same acute care PPS hospital on the same day for symptoms related to, or for evaluation and management of, the prior stay's medical condition, hospitals shall adjust the original claim generated by the original stay by combining the original and subsequent stay onto a single claim.

### St. Mary's Hospital

St. Mary's Hospital is a 391 bed, nonprofit, acute care hospital affiliated with Bon Secours Richmond Health System in Richmond, Virginia. During calendar years 2008 through 2010, St. Mary's Hospital received \$404,714 for 53 readmissions for which an inpatient was discharged and readmitted on the same day.

### Prior Review of Same-Day Readmissions

We are performing a series of audits of hospitals' Medicare same-day readmissions. An Office of Inspector General (OIG) report issued in August, 2002<sup>1</sup> found that same-day, same-provider readmissions for which a beneficiary was discharged to another provider after the initial admission and prior to being readmitted were vulnerable to billing errors. That review found that 41 of 73 readmissions were billed incorrectly. The review did not include readmissions for which the beneficiary was discharged home or left against medical advice before being readmitted.

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<sup>1</sup> *Review of Medicare Same-Day, Same-Provider Acute Care Readmissions in Pennsylvania During Calendar Year 1998* (A-03-01-00011).

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

### **Objective**

Our objective was to determine whether St. Mary's Hospital billed Medicare for same-day readmissions in accordance with Federal requirements.

### **Scope**

Our audit covered \$404,714 in payments received by St. Mary's Hospital during calendar years 2008 through 2010 for both the initial and subsequent stays for 53 readmissions.

Our review was based on selected billing requirements and did not include a medical review to determine whether the services were medically necessary.

We limited our review of St. Mary's Hospital's internal controls to those applicable to the inpatient area of review because our objective did not require an understanding of all internal controls over the submission and processing of claims. Our review allowed us to establish reasonable assurance of the authenticity and accuracy of the data obtained from the National Claims History file.

This report focuses on a selected risk area and does not represent an overall assessment of all claims submitted by St. Mary's Hospital for Medicare reimbursement.

We conducted our fieldwork at St. Mary's Hospital in Richmond, Virginia, during May 2011.

### **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- extracted St. Mary's Hospital's inpatient paid claims data from CMS's National Claims History file for calendar years 2008 through 2010;
- identified 53 inpatient same-day readmissions at St. Mary's Hospital for calendar years 2008 through 2010;
- reviewed the admission and readmission records, itemized bills and remittance advices provided by St. Mary's Hospital to support the readmissions;
- discussed the incorrectly billed readmissions with St. Mary's Hospital personnel to determine the underlying causes of non-compliance with Federal requirements; and
- calculated the correct payments for those readmissions requiring adjustments.

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 RECOMMENDATIONS**

St. Mary's Hospital did not always bill same-day readmissions in accordance with Federal requirements. For 17 of the 53 same-day readmissions in our review, St. Mary's Hospital incorrectly billed the second admission as a separate inpatient stay instead of a continuous stay based on the first admission. For these 17 readmissions St. Mary's Hospital received \$249,618 in Medicare payments for the initial inpatient admissions and the subsequent readmissions. St. Mary's Hospital should have received \$160,179 in Medicare payments for continuous stays. Because St. Mary's Hospital incorrectly billed the 17 readmissions, it received \$89,439 in overpayments. These overpayments occurred because St. Mary's Hospital did not have adequate training to review same-day readmissions and prevent incorrect billings.

### **FEDERAL GUIDANCE FOR SAME-DAY READMISSIONS**

The Manual, chapter 3, section 40.2.5, states that,

When a patient is discharged from an acute care Prospective Payment System (PPS) hospital, and is readmitted to the same acute care PPS hospital on the same day for symptoms related to, or for evaluation and management of, the prior stay's medical condition, hospitals shall adjust the original claim generated by the original stay by combining the original and subsequent stay onto a single claim.

### **INPATIENT SAME-DAY READMISSIONS**

For 17 of the 53 same-day readmissions in our review, St. Mary's Hospital incorrectly billed Medicare same-day readmissions that should have been combined with the initial hospital stays, in single claims for continuous stays, rather than as separate claims for separate stays. For these 17 instances, the readmission was related to the prior stay's medical condition and should have been billed as one continuous stay.

St. Mary's Hospital electronically identifies all same-day readmissions for review prior to billing to determine whether the two admissions are related. For 16 of the 17 readmissions, St. Mary's Hospital officials said that the first and second stay were coded and billed incorrectly as two separate claims. For the remaining readmission, the first and second stay was coded correctly but billed as two separate claims. For this one claim, CMS identified the error and returned the claim to St. Mary's Hospital for review. St. Mary's Hospital erroneously overrode the CMS edit and resubmitted the claim to Medicare for two separate stays. These overpayments occurred because St. Mary's Hospital's bill processing personnel did not adequately follow policies and procedures in reviewing and coding the readmissions after they were identified. As a result of these incorrectly billed readmissions, St. Mary's Hospital was overpaid \$89,439.

## **ACTION TAKEN**

After reviewing the records, St. Mary's Hospital agreed that 17 readmissions and initial admissions were related and should be billed as one continuous stay.

## **RECOMMENDATIONS**

We recommend that St. Mary's Hospital:

- refund to the Federal Government \$89,439 for 17 incorrectly billed same-day readmissions and
- strengthen training to ensure that policies and procedures are followed and same-day readmissions are reviewed and billed correctly.

## **ST. MARY'S HOSPITAL COMMENTS**

In written comments on our draft report, St. Mary's Hospital concurred with our findings and recommendations and outlined actions it has taken to address them. St. Mary's Hospital comments are included in their entirety as an Appendix to this report.

# **APPENDIX**

## APPENDIX: ST. MARY'S HOSPITAL COMMENTS



December 28, 2011

U.S. Department of Health and Human Services  
Office of Inspector General, Office of Audit Services, Region III  
Public Ledger Building, Suite 316  
150 South Independence Mall West  
Philadelphia, Pennsylvania 19106-3499

Report Number: A-03-11-00009

Provider Numbers/NPI Number:  
490059/1962464016 – Bon Secours St. Mary's Hospital

Dear Mr. Virbitsky,

This letter is in response to the OIG request dated December 1, 2011. Thank you for the opportunity to review the draft report entitled *Review of Medicare Acute Care Inpatient Same-Day Readmissions at St. Mary's Hospital*. We have reviewed the report and concur with the recommendations made by the OIG. Our corrective actions are stated below:

1. *Recommendation that St. Mary's Hospital refund to the Federal Government \$89,439 for 17 incorrectly billed same-day readmissions.*

St. Mary's Hospital concurs with the recommendation to refund \$89,439 to the Federal Government. In fact, St. Mary's has already processed all claims for a retraction by 8/31/2011; therefore, no further refund should be due.

2. *Recommendation that St. Mary's Hospital strengthen training to ensure that policies and procedures are followed and same-day readmissions are reviewed and billed correctly.*

St. Mary's Hospital also concurs with the recommendations by the OIG related to our billing process. In order to prevent similar occurrences, we have implemented a series of checks to ensure same day readmission claims are billed to Medicare accurately. First, an alert has been built into the Care Planning Manager system to identify patients admitted on the same day of previous discharge. The Case Manager is now required to review the records to determine if the admissions are clinically related and then handle such claims appropriately. Second, as an additional check, we have added an edit in our EPIC clinical system to identify same day readmissions and place them in a work queue to be reviewed by Case Management before the bill drops. Third, as another check, we have added an edit in XactiMed, our billing system, to flag any time there is no documentation on the record indicating that a prior review was conducted by Case Management. When it has been determined that, despite the first two checks, no prior Care Management review was conducted, the record will be forwarded to Care Management for a clinical review prior to claim submission.

You may contact me at (804) 627-5513 should you need any further information.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Joseph Ingold", is written over the typed name.

Joseph Ingold  
Vice President, Revenue Cycle  
Bon Secours Richmond Health System, Inc.