

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**BUTLER MEMORIAL HOSPITAL
INCORRECTLY BILLED
MEDICARE INPATIENT CLAIMS
WITH KWASHIORKOR**

*Inquiries about this report may be addressed to the Office of Public Affairs at
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Stephen Virbitsky
Regional Inspector General

March 2014
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Office of Inspector General

<https://oig.hhs.gov>

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EXECUTIVE SUMMARY

Butler Memorial Hospital incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of \$130,000 during calendar year 2010.

WHY WE DID THIS REVIEW

Kwashiorkor is a form of severe protein malnutrition. It generally affects children living in tropical and subtropical parts of the world during periods of famine or insufficient food supply. Cases in the United States are rare. The Medicare program provides health insurance coverage primarily to people aged 65 or older; however, for calendar years (CYs) 2010 and 2011, Medicare paid hospitals \$711 million for claims that included a diagnosis code for Kwashiorkor. Therefore, we are conducting a series of reviews of hospitals with claims that include this diagnosis code.

Our objective was to determine whether Butler Memorial Hospital (the Hospital) complied with Medicare billing requirements for Kwashiorkor.

BACKGROUND

The Centers for Medicare & Medicaid Services (CMS) pays inpatient 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 and the severity level of the patient's diagnosis. The DRG payment is, with certain exceptions, intended to be payment in full to the hospital for all inpatient costs associated with the beneficiary's stay.

The Hospital is a 288-bed short term acute-care hospital located in Butler, Pennsylvania. The Hospital is part of the Butler Health System. The Hospital received \$1,119,265 in Medicare payments for inpatient hospital claims that included a diagnosis code for Kwashiorkor during CY 2010. We reviewed \$925,400 for 91 of these claims. The Hospital submitted no inpatient claims with a diagnosis code for Kwashiorkor during CY 2011.

WHAT WE FOUND

The Hospital did not comply with Medicare requirements for billing Kwashiorkor on any of the 91 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 48 of the inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 43 inpatient claims, the errors resulted in overpayments of \$130,370.

Hospital officials attributed these errors to a misinterpretation of the coding guidelines for malnutrition that was brought to their attention by an external audit conducted in April 2010.

WHAT WE RECOMMEND

We recommend that the Hospital:

- refund to the Medicare program \$130,370 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

BUTLER MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, the Hospital accepted our finding and recommendations, and described the action it had taken to refund the overpayments and strengthen controls over the billing of Kwashiorkor.

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INTRODUCTION

WHY WE DID THIS REVIEW

Kwashiorkor is a form of severe protein malnutrition. It generally affects children living in tropical and subtropical parts of the world during periods of famine or insufficient food supply. Cases in the United States are rare. The Medicare program provides health insurance coverage primarily to people aged 65 or older; however, for calendar years (CYs) 2010 and 2011, Medicare paid hospitals \$711 million for claims that included a diagnosis code for Kwashiorkor. Therefore, we are conducting a series of reviews of hospitals with claims that include this diagnosis code.

OBJECTIVE

Our objective was to determine whether Butler Memorial Hospital (the Hospital) complied with Medicare billing requirements for Kwashiorkor.

BACKGROUND

The Medicare Program

Medicare Part A provides inpatient hospital insurance benefits and coverage of extended care services for patients after hospital discharge. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program. CMS contracts with Medicare contractors to, among other things, process and pay claims submitted by hospitals.

Hospital Inpatient Prospective Payment System

CMS pays inpatient hospital costs at predetermined rates for patient discharges under the inpatient prospective payment system. The rates vary according to the diagnosis-related group (DRG) to which a beneficiary's stay is assigned and the severity level of the patient's diagnosis. The DRG payment is, with certain exceptions, intended to be payment in full to the hospital for all inpatient costs associated with the beneficiary's stay. The DRG and severity level are determined according to diagnoses codes established by the *International Classification of Diseases, Ninth Revision, Clinical Modification* (coding guidelines). The coding guidelines establish diagnosis code 260 for Kwashiorkor. Because Kwashiorkor is considered a high-severity diagnosis, using diagnosis code 260 may increase the DRG payment.

Butler Memorial Hospital

The Hospital, which is part of the Butler Health System, is a 288-bed short term acute-care hospital located in Butler, Pennsylvania. The Hospital received \$1,119,265 in Medicare payments for inpatient hospital claims that included diagnosis code 260 for Kwashiorkor during CY 2010 based on CMS's National Claims History data. The Hospital submitted no inpatient claims with a diagnosis code for Kwashiorkor during CY 2011.

HOW WE CONDUCTED THIS REVIEW

Our audit covered \$925,400 of Medicare payments to the Hospital for 91 claims that contained diagnosis code 260 for Kwashiorkor. We did not review claims that were under separate review. We evaluated compliance with selected Medicare billing requirements but did not use medical review to determine whether the services were medically necessary. This report does not represent an overall assessment of all claims submitted by the Hospital for Medicare reimbursement.

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 objectives.

See Appendix A for the details of our scope and methodology.

FINDING

The Hospital did not comply with Medicare requirements for billing Kwashiorkor on any of the 91 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 48 of the inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 43 inpatient claims, the errors resulted in overpayments of \$130,370.

Hospital officials attributed these errors to a misinterpretation of the coding guidelines for malnutrition that was brought to their attention by an external audit conducted in April 2010.

FEDERAL REQUIREMENTS AND GUIDANCE

Medicare payments may not be made for items and services that “are not reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member” (The Social Security Act (the Act), § 1862(a)(1)(A)). In addition, the Act precludes payment to any provider of services or other person without information necessary to determine the amount due the provider (§ 1833(e)).

In addition, the *Medicare Claims Processing Manual* requires providers to complete claims accurately so that Medicare contractors may process them correctly and promptly (Pub. No. 100-04, chapter 1, § 80.3.2.2).

INCORRECT USE OF THE DIAGNOSIS CODE FOR KWASHIORKOR

The Hospital did not comply with Medicare billing requirements for Kwashiorkor on any of the 91 claims that we reviewed, resulting in an overpayment of \$130,370. The coding guidelines establish diagnosis code 260 for Kwashiorkor. However, our review of the documentation provided did not support the billing of this diagnosis code. For 48 of the inpatient claims, the

Hospital included multiple diagnosis codes, at least one of which had a similar or greater severity level. Therefore, removing diagnosis code 260 or replacing it with a more appropriate diagnosis code resulted in no change in the DRG payment.

However, for the remaining 43 inpatient claims, the error resulted in an overpayment. For example, the medical record for one beneficiary contained a discharge summary stating that the patient was suffering from malnutrition. The Hospital incorrectly included diagnosis code 260 for Kwashiorkor instead of diagnosis code 263.9 for unspecified protein-calorie malnutrition when billing the claim.

As a result of these errors, the Hospital received overpayments of \$130,370. Hospital officials attributed these errors to a misinterpretation of the coding guidelines for malnutrition that was brought to their attention by an external audit conducted in April 2010.

ACTION TAKEN

During our review, the Hospital corrected the diagnosis codes for the 43 claims and resubmitted them to the Medicare contractor.

RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare program \$130,370 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

BUTLER MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, the Hospital accepted our finding and recommendations, and described the action it had taken to refund the overpayments and strengthen controls over the billing of Kwashiorkor.

The Hospital's comments are included in their entirety as Appendix B.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered \$925,400 in Medicare payments to the Hospital during CY 2010 for 91 inpatient claims that contained diagnosis code 260 for Kwashiorkor. We did not review claims that were under separate review.

We limited our review of the Hospital's internal controls to those applicable to the coding of inpatient hospital claims because our objective did not require an understanding of all internal controls over the submission and processing of claims. We evaluated compliance with selected Medicare billing requirements but did not use medical review to determine whether the services were medically necessary. We established reasonable assurance of the authenticity and accuracy of the data obtained from the National Claims History file, but we did not assess the completeness of the file.

This report does not represent an overall assessment of all claims submitted by the Hospital for Medicare reimbursement.

We conducted our fieldwork from December 2012 through October 2013.

METHODOLOGY

To accomplish our objective, we:

- reviewed Federal laws, regulations, and guidance;
- extracted the Hospital's inpatient paid claims data from CMS's National Claims History file for the audit period;
- selected all paid claims that included the diagnosis code for Kwashiorkor (260);
- removed all claims that were either previously reviewed or under current review by a Recovery Audit Contractor;
- reviewed available data from CMS's Common Working File for the selected claims to determine whether the claims had been cancelled or adjusted;
- repriced each selected claim in order to verify that the original payment by the CMS contractor was made correctly;
- interviewed Hospital officials in order to obtain an understanding of their inpatient hospital claim coding process;
- requested that the Hospital conduct its own review of the 91 claims to determine whether the diagnosis code for Kwashiorkor was used correctly;

- reviewed the medical record documentation that the Hospital provided to support other malnutrition diagnoses;
- discussed the incorrectly coded claims with Hospital officials to determine the underlying causes of noncompliance with Medicare requirements;
- calculated the correct payments for those claims requiring adjustments;
- discussed the results of our review with Hospital officials.

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 objectives.

APPENDIX B: BUTLER MEMORIAL HOSPITAL COMMENTS



February 5, 2014

Report Number: A-03-13-00014

Mr. Stephen Virbitsky, CPA
Regional Inspector General for Audit Services
Office of Audit Services, Region III
Public Ledger Building, Suite 316
150 S. Independence Mall West
Philadelphia, PA 19106

Dear Mr. Virbitsky:

Butler Memorial Hospital (or "the Hospital") is in receipt of the January 7, 2014 draft report entitled *Butler Memorial Hospital Incorrectly Billed Inpatient Claims With Kwashiorkor* provided by the U.S. Department of Health and Human Services, Office of Inspector General (OIG), Office of Audit Services, Region III. Butler Memorial Hospital remains committed to ongoing compliance with all applicable regulations and genuinely appreciates the opportunity afforded us to respond to the draft report as above noted. The findings of the report included the following recommendations:

- Refund to the Medicare Program \$130,370 for the incorrectly coded claims; and
- Strengthen controls to ensure full compliance with Medicare billing requirements.

Outlined below is Butler Memorial Hospital's response to the individual recommendations.

Recommendation: Refund to the Medicare Program \$130,370 for the Incorrectly Coded Claims.

Action: Butler Memorial Hospital accepts the findings of the OIG related to this erroneous overpayment and has refunded \$130,370 to the Medicare Program.

Recommendation: Strengthen controls to ensure full compliance with Medicare billing requirements.

Action: As noted in the OIG draft report, Butler Memorial Hospital attributes the error in this matter to a misinterpretation of the coding guidelines for malnutrition. Upon clarification of the applicable coding guidelines, the use of the code for kwashiorkor was reduced and ultimately resulted in no claims being submitted with this code during the remainder of the applicable review period. Additionally, revised physician query forms that now include clinical indicators for malnutrition as set forth by the World Health Organization and the American Hospital Association Coding Clinic have been implemented to assist in correctly identifying the presence of any level of malnutrition. As we move forward, we are

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continuously monitoring for changes in the process of correctly identifying markers, symptoms or criteria that would prompt the compliant documentation of these diagnoses.

Butler Memorial Hospital is committed to providing a sound program to promote ongoing compliance with Medicare billing requirements. We are confident that our corrective actions address the identified concerns.

Please contact me directly if you have any questions or have need for additional information requests. I can be reached at (724) 284-4498.

Sincerely,

/Thomas A. Genevro/

Vice President, Human Resources & Corporate Compliance Officer