

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**WELLSPAN YORK HOSPITAL  
INCORRECTLY BILLED  
MEDICARE INPATIENT  
CLAIMS WITH KWASHIORKOR**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



**Stephen Virbitsky  
Regional Inspector General**

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# ***Office of Inspector General***

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## EXECUTIVE SUMMARY

*WellSpan York Hospital incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of \$204,000 over 2 years.*

### 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 WellSpan York 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 572-bed acute-care community teaching hospital located in York, Pennsylvania. The Hospital is part of the WellSpan Health system. The Hospital received \$1,910,259 in Medicare payments for inpatient hospital claims that included a diagnosis code for Kwashiorkor during our audit period (CYs 2010 and 2011). We reviewed \$1,846,382 for 107 of these claims.

### WHAT WE FOUND

The Hospital did not comply with Medicare requirements for billing Kwashiorkor on any of the 107 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 59 of the inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 48 inpatient claims, the errors resulted in overpayments of \$204,226.

Hospital officials attributed these errors to a misinterpretation of the coding guidelines for malnutrition because of a lack of clarity in the guidance.

## **WHAT WE RECOMMEND**

We recommend that the Hospital:

- refund to the Medicare program \$204,226 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

## **WELLSPAN YORK HOSPITAL COMMENTS**

In written comments on our draft report, the Hospital concurred with our recommendations and described the action it had taken to refund the overpayments and strengthen controls over the billing of Kwashiorkor. The Hospital clarified that it misinterpreted the guidelines because of a lack of clarity in the guidance for coding protein malnutrition. We have modified our report accordingly.

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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 WellSpan York 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.

#### WellSpan York Hospital

The Hospital, which is part of the WellSpan Health System, is a 572-bed acute-care community teaching hospital located in York, Pennsylvania. The Hospital received \$1,910,259 in Medicare payments for inpatient hospital claims that included diagnosis code 260 for Kwashiorkor during our audit period (CYs 2010 and 2011) based on CMS's National Claims History data.

## **HOW WE CONDUCTED THIS REVIEW**

Our audit covered \$1,846,382 of Medicare payments to the Hospital for 107 claims that contained diagnosis code 260 for Kwashiorkor. We did not review managed care claims or 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 107 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 59 of the inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 48 inpatient claims, the errors resulted in overpayments of \$204,226.

Hospital officials attributed these errors to a misinterpretation of the coding guidelines for malnutrition because of a lack of clarity in the guidance.

## **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 107 claims we reviewed, resulting in overpayments of \$204,226. 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 59 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 48 inpatient claims, the error resulted in an overpayment. For example, the medical record for one beneficiary contained a physician's progress note stating that the patient was suffering from mild protein malnutrition. The Hospital incorrectly included diagnosis code 260 for Kwashiorkor instead of diagnosis code 263.1 for mild protein malnutrition when billing the claim.

As a result of these errors, the Hospital received overpayments of \$204,226. Hospital officials attributed these errors to a misinterpretation of the coding guidelines for malnutrition because of a lack of clarity in the guidance.

### **ACTION TAKEN**

During our review, the Hospital corrected the diagnosis codes for the 48 claims and resubmitted them to the Medicare contractor.

### **RECOMMENDATIONS**

We recommend that the Hospital:

- refund to the Medicare program \$204,226 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

### **WELLSPAN YORK HOSPITAL COMMENTS**

In written comments on our draft report, the Hospital concurred with our recommendations and described the action it had taken to refund the overpayments and strengthen controls over the billing of Kwashiorkor. The Hospital clarified that it misinterpreted the guidelines because of a lack of clarity in the guidance for coding protein malnutrition. We have modified our report accordingly.

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

## **APPENDIX A: AUDIT SCOPE AND METHODOLOGY**

### **SCOPE**

Our audit covered \$1,846,382 in Medicare payments to the Hospital for 107 inpatient claims that contained diagnosis code 260 for Kwashiorkor during the period January 1, 2010, through December 31, 2011. We did not review managed care claims or 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 September 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 managed care claims and any claims that were previously reviewed 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 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 107 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: WELLSPAN YORK HOSPITAL COMMENTS

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Jan 8, 2014

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Dear Mr. Virbitsky:

This letter is in response to your December 18, 2013 letter regarding the OIG's draft report entitled *WellSpan York Hospital Incorrectly Billed Inpatient Claims With Kwashiorkor*. As you have requested, this letter documents WellSpan's comments and concurrence with your recommendations.

The report notes that "Hospital officials attributed these errors to a misinterpretation of the coding guidelines for malnutrition." As was noted during the review process, this misinterpretation comes from the lack of clarity surrounding the use of the code 260 during the time periods billed. As was provided in prior communications:

ICD-9 code 260 has caused much confusion in the healthcare industry. If one looks purely at the tabular coding index in the ICD book, documentation of "protein malnutrition" points to code 260. There is no other option listed for "protein malnutrition". However, when you read the detail for code 260, it says Kwashiorkor which is then defined. Although that code may not appear appropriate in all cases, the code book does not provide another clear option.

Given the lack of clarity in the code book, a York Hospital coder asked this specific question of the AHA Central Office on ICD-9-CM. On March 27, 2009, AHA answered that it was appropriate to code 260 when the physician documents only "protein malnutrition".

In the 3<sup>rd</sup> Quarter 2009, AHA Coding Clinic provided guidance indicating that if a provider documented "moderate protein malnutrition" then code 263.0 should be used. However,-it states that Kwashiorkor is for "severe" protein deficiency. This guidance suggests that when the protein malnutrition is severe, code 260 may be used. In the same AHA Coding Clinic it states that NCHS is considering revising the index for mild and moderate protein malnutrition in order to provide clearer direction to the coder. This highlights the fact that there still is no clear guidance.

It should also be noted that the code description in the ICD-9 code book states that Kwashiorkor is particularly found in children, but that it does not rule out adults. Also, the AHA Coding Clinic indicates that Kwashiorkor is extremely rare in the United States. However, an Internet Google search can yield information to the contrary. For example, a Penn State University/Hershey Medical Center article previously provided indicates: "Kwashiorkor is very rare in children in the United State. There are only isolated cases. However, one government estimate suggests that as many as 50% of elderly people in nursing homes in the United State do not get enough protein in their diet."

Current RAC reviews even suggest that there still is confusion today amongst the governmental contractors reviewing these claims with diagnosis code 260.

So, while we agree with the reports statement that these errors were based on a misunderstanding of the code usage, we just wanted to reiterate that it was based upon good faith efforts to code appropriately. We look forward to clearer coding guidance for malnutrition in the future for all providers.

We agree with both recommendations noted in the report. Specifically:

Recommendation #1- Refund to Medicare program \$204,226 for the incorrectly coded claims.

This recommendation has been accomplished. Thank you for your assistance in working with York Hospital's Medicare Administrative Contractor in order to successfully have these claims reprocessed.

Recommendation #2 – Strengthen controls to ensure full compliance with Medicare billing requirement.

We agree with this recommendation and do regularly strengthen controls whenever we identify compliance weaknesses. In this particular case, we have incorporated a two-fold review process specific to malnutrition:

1. During the concurrent documentation review process, the entire clinical picture is evaluated by Clinical Documentation Specialists. This would include the documented nutritional intake, weight loss, lab values and review of the dietitian's evaluation. If a diagnosis of malnutrition is suspected a query will be issued to determine the type, (energy or protein), and severity, (mild, moderate, or severe) based on the clinical

indicators. If a diagnosis of malnutrition is documented and not specified, the missing elements will be queried

2. On 1/29/13 the following communication was provided to all coding staff:

Effective immediately, do not assign code 260 to any account unless the physician specifically documents Kwashiorkor. If the physician documents protein malnutrition or protein deficiency, you need to query for the severity. The query should ask for mild, moderate, severe, Kwashiorkor, other or unspecified. If the physician won't specify the severity and only documents protein malnutrition or protein deficiency, despite where the code book takes us - we have been instructed to use code 263.9 - unspecified protein-calorie malnutrition. This is consistent with guidance from our PricewaterhouseCoopers auditor that is an expert in the field as well as HIM-HIPAA Insider.

Additionally, WellSpan Corporate Compliance will continue to periodically monitor the use of code 260 for compliance.

WellSpan Health is committed to compliance with the Medicare rules and regulations. We thank you for this opportunity to correct these accounts and be paid appropriately. If you have any questions, please feel free to give me a call at 717-851-3324.

Sincerely,

/Wendy A. Trout, CPA, CCS-P/

Director Corporate Compliance WellSpan Health

cc: Glen Moffett, VP & General Counsel  
Michael O'Connor, SVP Finance Chief Financial Officer WellSpan  
Keith Noll, VP President York Hospital  
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