

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**PALMETTO HEALTH BAPTIST
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.*



**Stephen Virbitsky
Regional Inspector General**

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Office of Inspector General

<https://oig.hhs.gov>

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EXECUTIVE SUMMARY

Palmetto Health Baptist Hospital incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of approximately \$75,000 over 3 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 Palmetto Health Baptist 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 489-bed acute-care hospital located in Columbia, South Carolina. The Hospital is part of the Palmetto Health network. The Hospital received \$2,018,992 in Medicare payments for inpatient hospital claims that included a diagnosis code for Kwashiorkor during our audit period (CYs 2010 through 2012). We reviewed all 51 of these claims.

WHAT WE FOUND

The Hospital did not comply with Medicare requirements for billing Kwashiorkor on any of the 51 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 37 of the inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 14 inpatient claims, the errors resulted in overpayments of \$74,903. Hospital officials attributed these errors to the medical coding software program used to code the diagnoses.

WHAT WE RECOMMEND

We recommend that the Hospital:

- refund to the Medicare program \$74,903 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

PALMETTO HEALTH BAPTIST HOSPITAL COMMENTS AND OUR RESPONSE

In written comments, the Hospital agreed that 49 of the 51 claims that we reviewed were incorrectly billed with a diagnosis code for Kwashiorkor. The Hospital described the action it planned to take to address the overpayments and stated that the coding software had been updated to strengthen controls over the billing of Kwashiorkor. However, the Hospital stated that two claims for which our corrected diagnosis code resulted in no change in the DRG payment were documented properly and submitted correctly.

Our review of the documentation provided for the two claims did not find any evidence of a diagnosis of Kwashiorkor. Instead, the physician's diagnoses said "severe protein calorie malnutrition" for one claim and "severe protein malnutrition" for the other claim. Therefore, we maintain that our finding is correct.

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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 Palmetto Health Baptist 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.

Palmetto Health Baptist Hospital

The Hospital, which is part of the Palmetto Health network, is a 489-bed acute-care hospital located in Columbia, South Carolina. The Hospital received \$2,018,992 in Medicare payments for inpatient hospital claims that included diagnosis code 260 for Kwashiorkor during our audit period (CYs 2010 through 2012) based on CMS's National Claims History data.

HOW WE CONDUCTED THIS REVIEW

Our audit covered \$2,018,992 of Medicare payments to the Hospital for 51 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 51 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 37 of the inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 14 inpatient claims, the errors resulted in overpayments of \$74,903.

Hospital officials attributed these errors to the medical coding software program used to code the diagnoses.

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 51 claims that we reviewed, resulting in overpayments of \$74,903. 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 37 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 14 inpatient claims, the error resulted in overpayments of \$74,903. Hospital officials attributed these errors to the medical coding software program used to code the diagnoses.

RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare program \$74,903 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

PALMETTO HEALTH BAPTIST HOSPITAL COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments, the Hospital agreed that 49 of the 51 claims that we reviewed were incorrectly billed with a diagnosis code for Kwashiorkor. The Hospital described the action it planned to take to address the overpayments and stated that the coding software had been updated to strengthen controls over the billing of Kwashiorkor. However, the Hospital stated that two claims for which our corrected diagnosis code resulted in no change in the DRG payment were documented properly and submitted correctly.

The Hospital's comments are included as Appendix B.

Our review of the documentation provided for the two claims did not find any evidence of a diagnosis of Kwashiorkor. Instead, the physician's diagnoses said "severe protein calorie malnutrition" for one claim and "severe protein malnutrition" for the other claim. Therefore, we maintain that our finding is correct.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered \$2,018,992 in Medicare payments to the Hospital for 51 inpatient claims that contained diagnosis code 260 for Kwashiorkor during the period January 1, 2010, through December 31, 2012. 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 review from September 2013 through December 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;
- requested that the Hospital conduct its own review of the 51 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; and
- 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: PALMETTO HEALTH BAPTIST HOSPITAL COMMENTS

PALMETTO HEALTH

January 14, 2014

Department of Health and Human Services
Office of Inspector General
150 S. Independence Mall West
Philadelphia, PA 19106
ATT: Joseph Girardi

Re: Diagnosis Code 260 Kwashiorkor Review

Dear Mr. Girardi,

To summarize the audit on the 51 accounts in review for the Kwashiorkor diagnosis, we agree that 14 claims in your report were submitted incorrectly. We are in the process of resubmitting the claims using the Remarks Section to indicate the OIG Review Audit #03-13-00029. Two (2) of the claims were documented properly and were submitted correctly. The other 35 accounts that did not have a payment change have been reviewed and we agree did not have supporting documentation.

Our Health Information Management Department currently uses the 3M Encoder application for all coding and also used during the calendar years 2010 to 2012. The 3M Encoder now has a warning screen to check the documentation to support the 260 code assignment. The processes and applications we used at that time supported the code assignment that we documented.

If you have any questions, please give me a call at 803.296.2549 or email at wanda.taylor@palmettohealth.org.

Sincerely,

/Wanda Taylor/

Chief Compliance Officer
Corporate Compliance, Palmetto Health

Post Office Box 2266
Columbia, SC 29202-2266

PHONE: (803) 296-5042
FAX: (803) 296-5814

palmettohealth.org