

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**NEW YORK HOSPITAL QUEENS
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
for Audit Services**

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Office of Inspector General

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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.

New York Hospital Queens incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of approximately \$90,000 over 3 years.

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 New York Hospital Queens (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.

New York Hospital Queens

The Hospital, which is part of the New York Presbyterian Healthcare System, is a 519-bed acute-care not-for-profit hospital located in Flushing, New York. The Hospital received \$3,171,201 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 \$3,171,201 in Medicare payments to the Hospital for 64 inpatient hospital 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 64 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used either a code for another form of malnutrition or no malnutrition code at all. For 47 of the inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 17 inpatient claims, the errors resulted in overpayments of \$89,867. Hospital officials attributed these errors to Hospital personnel not following established billing procedures.

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 64 claims we reviewed, resulting in overpayments of \$89,867. 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 47 of the inpatient claims, 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 17 inpatient claims, the error resulted in an overpayment. As a result of these errors, the Hospital received net overpayments of \$89,867. Hospital officials attributed these errors to Hospital personnel not following established billing procedures.

RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare program \$89,867 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

NEW YORK HOSPITAL QUEENS COMMENTS

In written comments, the Hospital concurred with our findings and agreed that 17 of the billing errors resulted in net overpayments totaling \$89,867. The Hospital described the actions it has taken to address them.

The Hospital's comments are included as Appendix B.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered \$3,171,201 in Medicare payments to the Hospital for 64 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 2014.

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 the original payment by the CMS contractor was made correctly;
- requested that the Hospital conduct its own review of the 64 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: NEW YORK HOSPITAL QUEENS COMMENTS



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December 9, 2014

Mr. Mark Lobs
Senior Auditor
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Mr. Lobs,

In response to your e-mail dated December 3, 2014, we are providing this letter indicating agreement with your final review findings for the Kwashiorkor audit. We have conducted a review of all patient's records with this diagnosis and agree that there are 17 cases requiring changes resulting in a net overpayment of \$89, 867. We have discussed these cases with the attending physician and have in-serviced the coding staff of our Health Information Management Department regarding the correct use of this code.

We will continue to monitor for any use or misuse of the diagnosis and take appropriate steps to in-service staff accordingly. If you have any further questions, please do not hesitate to contact me at 718 670-1476. Thank you.

Sincerely,

/Kevin J. Ward, CPA/

Senior Vice President, CFO

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