

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**OAKWOOD HOSPITAL AND MEDICAL
CENTER 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**

April 2014
A-03-13-00032

Office of Inspector General

<https://oig.hhs.gov>

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EXECUTIVE SUMMARY

Oakwood Hospital and Medical Center incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of \$48,000 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 Oakwood Hospital and Medical Center (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 553-bed not-for-profit teaching and research hospital located in Dearborn, Michigan. The Hospital is part of Oakwood Healthcare, Inc. The Hospital received \$4,088,761 in Medicare payments for inpatient hospital claims that included a diagnosis code for Kwashiorkor during our audit period (CYs 2010 through 2012). We reviewed \$3,924,154 for 98 of these claims.

WHAT WE FOUND

The Hospital did not comply with Medicare requirements for billing Kwashiorkor on any of the 98 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 95 of the inpatient claims, removing the diagnosis code resulted in no change in the DRG payment. However, for the remaining three inpatient claims, the errors resulted in overpayments of \$47,860. Hospital officials attributed these errors to a misinterpretation of the coding guidelines for malnutrition.

WHAT WE RECOMMEND

We recommend that the Hospital:

- refund to the Medicare program \$47,860 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

OAKWOOD HOSPITAL AND MEDICAL CENTER COMMENTS AND OUR RESPONSE

In written comments, the Hospital agreed with our finding. However, the Hospital said that it had successfully appealed the coding of one claim for which it had received no overpayment. In addition, the Hospital described the action it had taken or planned to take to refund the overpayments and strengthen controls over the billing of Kwashiorkor.

The claim addressed in the Hospital's response was not included in our audit because it was under a separate review.

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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 Oakwood Hospital and Medical Center (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.

Oakwood Hospital and Medical Center

The Hospital, which is part of Oakwood Healthcare, Inc., is a 553-bed not-for-profit teaching and research hospital located in Dearborn, Michigan. The Hospital received \$4,088,761 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 \$3,924,154 of Medicare payments to the Hospital for 98 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 98 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 95 of the inpatient claims, removing the diagnosis code resulted in no change in the DRG payment. However, for the remaining three inpatient claims, the errors resulted in overpayments of \$47,860. Hospital officials attributed these errors to a misinterpretation of the coding guidelines for malnutrition.

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 98 claims we reviewed, resulting in overpayments of \$47,860. The coding guidelines establish diagnosis code 260 for Kwashiorkor. For 95 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 resulted in no change in the DRG payment. However, for the

remaining three inpatient claims, the errors resulted in overpayments of \$47,860. Hospital officials attributed these errors to a misinterpretation of the coding guidelines for malnutrition.

RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare program \$47,860 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

OAKWOOD HOSPITAL AND MEDICAL CENTER COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments, the Hospital agreed with our finding. However, the Hospital said that it had successfully appealed the coding of one claim for which it had received no overpayment. In addition, the Hospital described the action it had taken or planned to take to refund the overpayments and strengthen controls over the billing of Kwashiorkor. The Hospital's comments are included as Appendix B.

The claim addressed in the Hospital's response was not included in our audit because it was under a separate review.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered \$3,924,154 in Medicare payments to the Hospital for 98 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 October 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 the original payment by the CMS contractor was made correctly;
- requested that the Hospital conduct its own review of the 98 claims to determine whether the diagnosis code for Kwashiorkor was used correctly;

- discussed the incorrectly coded claims with Hospital officials to determine the underlying causes of noncompliance with Medicare requirements;
- 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: OAKWOOD HOSPITAL AND MEDICAL CENTER COMMENTS

Oakwood Corporate Services
Business Practices Office

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Dearborn, M
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313-791-4762

December 3, 2013

Office of Audit Services, Region III
c/o Stephen Virbitsky
Public Ledger Building, Suite 316
150 S. Independence Mall West
Philadelphia, PA 19106

Re: Report Number: A-03-13-00032

Dear Mr. Virbitsky:

Upon receipt and review of your October 3, 2013 letter, we conducted a coding investigation regarding the use of diagnosis code 260 (Kwashiorkor) at Oakwood Hospital and Medical Center ("OHMC"). The findings of our internal review lead us to concur with your report save one overpayment case that was reviewed with Ms. Lynne Pohler of your office. The net result was three claims with coding error and overpayment totaling \$47,860, and 94 cases with coding error only (no payment change) and 1 case where coding was challenged by the RAC and successfully appealed by OI-IMC to the fiscal intermediary. The three claims with overpayment can be identified in the Excel spreadsheet your office forwarded to us under your control numbers (first column) 29, 37 and 82. On behalf of OHMC, please accept our apology for the coding errors.

As is our normal course, we have attempted to determine the genesis of these errors and what corrective action would be appropriate. Unfortunately, our director of coding quality left the organization some time ago and her electronic files including emails are no longer available for review. Thus, there is an absence of written communication for analysis contemporary to the time of these claims. We do know that in October 2011, AHIMA published an article titled Ensuring Compliant Malnutrition Coding that noted some concerns across the nation's hospitals associated with use of diagnosis code 260. As is frequently done when we see articles of interest, this one was shared promptly with our coders by the coding quality team. This email communication from Ms. Noelle Percha with attached AHIIVIA article occurred on November 17, 2011 and was directed to the coding staff. These efforts was designed to better ensure current coding guidance is being followed and, in this case, the use of the Kwashiorkor code appropriate. In our review subsequent to your October 2013 letter, we did not find indication that there was past knowledge of a coding issue or problem at OHMC associated with diagnosis code 260 and

the distribution of the article was, per Ms. Percha, a routine proactive awareness and education for the staff.

Looking back to your report, it is noteworthy that only one Medicare case was found in 2012 which would have been post our coding quality team providing additional guidance to the coding staff. It is our belief that the absence of multiple Kwashiorkor code error in 2012 indicates the education (provision of the AHIMA article) was effective. In addition, the fact that 95 of the cases resulted in no payment differential or change in MS-DRG is also instructive. At this time and since late 2011, we believe any coding confusion that may have existed is resolved and coders are properly using diagnosis code 260. However, to be more confident that our 2011 proactive steps addressed any coder questions, we are doing a broader check for the period 2010 to present across all payers on the use of diagnosis code 260. If we find error in assignment resulting in overpayment, we will make corrections and repayment as appropriate. If there is continued confusion around the code use, we will also provide additional education and conduct post-education audit to confirm coder understanding. We trust this follow-up will meet with your approval.

Given we received \$47,860 in overpayment from Medicare and our longstanding approach is to work collaboratively to resolve coding, payment and billing matters, we will make repayment. In conversation with Ms. Pohler, she indicated that she would provide direction to us following this communication in order to expedite our payment correction with the Medicare Administrative Contractor. Please know we will work diligently with your office to close this matter as quickly as possible.

If you should have any further questions please do not hesitate to call me. Again, please accept my apology for the errant use of the code.

Regards,

/Jon Horenstein/

Jon Horenstein, JD, MHA
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