

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MERCY MEDICAL CENTER 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**

**January 2014
A-03-13-00033**

Office of Inspector General

<https://oig.hhs.gov>

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EXECUTIVE SUMMARY

Mercy Medical Center incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of approximately \$89,000 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 Mercy 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 656-bed acute-care not-for-profit Catholic hospital located in Des Moines, Iowa. The Hospital is part of the Mercy Health Network. The Hospital received \$3,189,884 in Medicare payments for inpatient hospital claims that included a diagnosis code for Kwashiorkor during CYs 2010 through 2012. We reviewed \$3,052,291 for 102 of these claims.

WHAT WE FOUND

The Hospital did not comply with Medicare requirements for billing Kwashiorkor on any of the 102 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 88 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 \$88,996. 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 \$88,996 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

MERCY MEDICAL CENTER COMMENTS AND OUR RESPONSE

In written comments, the Hospital agreed with our finding that the 102 claims that we reviewed were incorrectly billed with a diagnosis code for Kwashiorkor. However, for four claims in our finding, the Hospital disagreed that the errors resulted in overpayments and provided medical records documenting that the patients had severe malnutrition. In addition, the Hospital described the action it had taken to refund the overpayments and strengthen controls over the billing of Kwashiorkor.

Based on the documentation provided for the four claims, we determined that correcting the diagnosis code resulted in no change in the DRG or the payment amount. We modified our finding accordingly.

TABLE OF CONTENTS

INTRODUCTION	1
Why We Did This Review	1
Objective	1
Background	1
The Medicare Program	1
Hospital Inpatient Prospective Payment System	1
Mercy Medical Center	1
How We Conducted This Review.....	2
FINDING	2
Federal Requirements and Guidance	2
Incorrect Use of the Diagnosis Code for Kwashiorkor.....	2
RECOMMENDATIONS	3
MERCY MEDICAL CENTER COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE	3
APPENDIXES	
A: Audit Scope and Methodology	4
B: Mercy Medical Center Comments	6

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 Mercy 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.

Mercy Medical Center

The Hospital, which is part of the Mercy Health Network, is a 656-bed acute-care not-for-profit Catholic hospital located in Des Moines, Iowa. The Hospital received \$3,189,884 in Medicare payments for inpatient hospital claims that included diagnosis code 260 for Kwashiorkor during CYs 2010 through 2012 based on CMS's National Claims History data.

HOW WE CONDUCTED THIS REVIEW

Our audit covered \$3,052,291 of Medicare payments to the Hospital for 102 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 102 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 88 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 \$88,996. 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 102 claims that we reviewed, resulting in overpayments of \$88,996. 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 88 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 errors resulted in overpayments of \$88,996. 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 \$88,996 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

MERCY MEDICAL CENTER COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments, the Hospital agreed with our finding that the 102 claims that we reviewed were incorrectly billed with a diagnosis code for Kwashiorkor. However, for four claims in our finding, the Hospital disagreed that the errors resulted in overpayments and provided medical records documenting that the patients had severe malnutrition. In addition, the Hospital described the action it had taken to refund the overpayments and strengthen controls over the billing of Kwashiorkor.

The Hospital's comments are included as Appendix B. We did not include the attachment because it contained personally identifiable information.

Based on the documentation provided for the four claims, we determined that correcting the diagnosis code resulted in no change in the DRG or the payment amount. We modified our finding accordingly.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered \$3,052,291 in Medicare payments to the Hospital for 102 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 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 the original payment by the CMS contractor was made correctly;
- requested that the Hospital conduct its own review of the 102 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: MERCY MEDICAL CENTER COMMENTS

MERCY
MEDICAL CENTER
DES MOINES

1111 6th Ave.
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A member of Mercy Health Network

ADMINISTRATION

October 25, 2013

Leonard Piccari
Department of Health and Human Services
Office of Inspector General
Office of Audit Services
150 South Independence Mall West
Suite 316
Philadelphia, PA 19106-3499

VIA HHS/OIG Delivery Server

RE: Report Number: A-03-13-00033

Dear Mr. Piccari:

This letter, the accompanying spreadsheet and medical record documentation is being submitted by Mercy Medical Center ("Mercy") in response to your letter dated September 13, 2013 regarding Medicare billing of claims with diagnosis code 260 (Kwashiorkor).

Your review of Medicare claims submitted by Mercy during calendar years 2010 through 2012 found that Mercy submitted 102 claims with Kwashiorkor as a primary or secondary diagnosis. From those claims, the first list showed 84 claims where the Kwashiorkor diagnosis did not affect the payment received for the claim. The second group listed 18 claims where the Kwashiorkor diagnosis increased the payment received.

In reviewing the second group of 18 claims, we found the diagnosis code 260 (Kwashiorkor) was incorrectly used on 14 claims resulting in Mercy being overpaid \$88,996.17 as detailed on the attached spreadsheet. Mercy will utilize the usual repayment process to refund the identified overpayments to Wisconsin Physician Services, the Medicare Administrative Contractor. The OIG report number will be referenced in the repayment documents. Once the repayment has been made, Mercy will send proof of repayment to your office.

For the remaining 4 claims, Mercy agrees that code 260 should not have been used. However documentation of severe malnutrition is present in the medical records which would support code 261. Code 261 is also a medical condition code so the DRG would not have changed and therefore the claims were paid correctly. Supporting medical record documentation for these claims is being provided with this submission.

In addition to the compliance measures currently in place to ensure that overpayment are identified and refunded to Medicare, Mercy has taken additional corrective action in our Health Information Department. Our encoder software program Quantim now has an edit for diagnosis code 260. Any time code 260 is entered into a Quantim abstract, the edit will provide a link to the latest coding clinic that refers to this code to insure the most current requirements are being met.

If you have any additional questions, you can contact me at 515-643-4557 or Dsanderson2@mercydesmoines.org.

Thank you for your consideration.

Sincerely,

/ Donna Sanders/

Donna Sanders, CHC, CHRC
Division Corporate Responsibility Officer