

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**OVERLOOK 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](mailto:Public.Affairs@oig.hhs.gov).*



**Stephen Virbitsky  
Regional Inspector General  
for Audit Services**

October 2014  
A-03-14-00003

# *Office of Inspector General*

<http://oig.hhs.gov>

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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.

***Overlook Medical Center incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of \$85,000 over 4 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 Overlook 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.

#### **Overlook Medical Center**

The Hospital, which is part of the Atlantic Health System, is a 504-bed acute-care not-for-profit community hospital located in Summit, New Jersey. The Hospital received \$4,948,180 in Medicare payments for inpatient hospital claims that included diagnosis code 260 for

Kwashiorkor during our audit period (CYs 2010 through 2013) based on CMS's National Claims History data.

## **HOW WE CONDUCTED THIS REVIEW**

Our audit covered \$782,062 of \$4,948,180 in Medicare payments to the Hospital for 55 inpatient hospital paid claims that contained diagnosis code 260 for Kwashiorkor. We reviewed only claims for which removing the diagnosis code 260 changed the Medicare payment. 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 55 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. For 36 of the incorrectly billed inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 19 inpatient claims, the errors resulted in overpayments of \$84,893. Hospital officials attributed these errors to a lack of clarity in the coding guidelines and issues with 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 for any of the 55 claims that we reviewed, resulting in overpayments of \$84,893. The coding guidelines establish diagnosis code 260 for Kwashiorkor. For 36 of the inpatient claims, replacing diagnosis code 260 with a more appropriate diagnosis code resulted in no change in the DRG payment. However, for the remaining 19 inpatient claims, the errors resulted in overpayments of \$84,893. Hospital officials attributed these errors to a lack of clarity in the coding guidelines and issues with the medical coding software program used to code the diagnoses.

### **RECOMMENDATIONS**

We recommend that the Hospital:

- refund to the Medicare program \$84,893 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

### **OVERLOOK MEDICAL CENTER COMMENTS**

In written comments, the Hospital concurred with our finding that all 55 claims that we reviewed were incorrectly billed with a diagnosis code for Kwashiorkor and provided documentation to show that correcting the diagnosis code for 36 claims did not change the payment, which we reflected in our report. The Hospital described the action it had taken to refund the overpayments and said that the coding software had been updated.

The Hospital's comments are included as Appendix B.

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

### **SCOPE**

Our audit covered \$782,062 in Medicare payments to the Hospital for 55 inpatient claims that contained diagnosis code 260 for Kwashiorkor during the period January 1, 2010, through December 31, 2013. We reviewed only claims for which removing the diagnosis code 260 changed the Medicare payment. 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 April through August 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;
- removed all claims for which removing the diagnosis code for Kwashiorkor did not change the Medicare payment;
- 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 55 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: OVERLOOK MEDICAL CENTER COMMENTS

### Atlantic Health System

Morristown Medical Center  
Overlook Medical Center  
Newton Medical Center  
Chilton Medical Center  
Goryeb Children's Hospital

August 18, 2014

VIA EMAIL: [Stephen.Virbitsky@oig.hhs.gov](mailto:Stephen.Virbitsky@oig.hhs.gov)  
and VIA FIRST CLASS MAIL

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RE: Report Number: A-03-14-00036

Dear Mr. Virbitsky:

This letter is in response to your June 6, 2014 letter and subsequent correspondence which provided the results of the Office of Inspector General's (OIG) review of Overlook Medical Center's ("Overlook") Medicare billing of claims with diagnosis code 260 (Kwashiorkor). The OIG's review examined Overlook claims billed during calendar years 2010-2012. The OIG found that Overlook submitted 56 claims with Kwashiorkor as one of the diagnosis codes. It was the OIG's position that Overlook incorrectly coded these claims resulting in a \$295,469 overpayment.

Of the 56 claims reviewed by the OIG, Overlook provided the OIG with documentation regarding one claim that had previously been the subject of RAC review. The OIG removed that claim from its review. Overlook provided the OIG with documentation supporting 36 of the remaining 55 claims where correcting the diagnosis code did not affect the payment. After taking this documentation into account, the OIG found that Overlook incorrectly used the Kwashiorkor diagnosis code on 19 of the 55 claims resulting in an overpayment of \$84,893. Overlook concurs with the OIG's final determination.

Overlook will utilize the usual repayment process to refund the \$84,893 overpayment to Novitas, the Medicare Administrative Contractor.

The billing errors were due to a number of reasons:

- Software issue with the 3M grouper product which resulted in the incorrect code assignment of 260 (Kwashiorkor). Corrective action was taken by 3M with a software

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**Atlantic  
Health System**

Morristown Medical Center  
Overlook Medical Center  
Newton Medical Center  
Goryeb Children's Hospital

update in October 2010. The update did not immediately take hold. By the end of 2011, it was implemented and, as is apparent in the claims lists provided by the OIG, claims for 2012 were not at issue.

- Lack of clarity in the ICD-9 manual's indexed entries for coding "Malnutrition . . . Protein".
- Lack of clarity in AHA Coding Clinic (3rd Quarter 2009) such that coders may not have realized that a query was necessary.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

/Eva J. Goldenberg/

Director, Corporate Compliance & Internal Audit  
Chief Compliance Officer

EJG/lm

Cc: Mark Lobs  
Leonard Piccari

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