

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**BAPTIST 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
for Audit Services**

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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.

Baptist Medical Center incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of \$477,000 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 Baptist 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.

Baptist Medical Center

The Hospital, which is part of the Baptist Health System, is a 1,422-bed acute-care hospital located in San Antonio, Texas. The Hospital received \$7,689,318 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 \$1,220,948 of the \$7,689,318 in Medicare payments to the Hospital for 102 of the 468 inpatient hospital claims that contained diagnosis code 260 for Kwashiorkor. We did not review the remaining claims because the use of diagnosis code 260 did not change the Medicare payment. We also 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 either a code for another form of malnutrition or no malnutrition code at all. As part of its own review, the Hospital identified four additional claims that it had incorrectly billed with diagnosis code 260. These errors resulted in overpayments totaling \$477,334: \$458,677 identified in our review and \$18,657 identified by the Hospital.

Hospital officials attributed these errors to a lack of understanding of the clinical guidelines for coding Kwashiorkor and to potentially confusing direction from the ICD-9-CM coding books.

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 102 claims we reviewed, resulting in overpayments of \$458,677. The coding guidelines establish diagnosis code 260 for Kwashiorkor. However, our review did not support the billing of this diagnosis code. The Hospital also identified overpayments of \$18,657 for an additional four claims incorrectly billed with diagnosis code 260 during our audit period.¹ The Hospital had canceled these claims but subsequently resubmitted them with the error. As a result of these errors, the Hospital received total overpayments of \$477,334. Hospital officials attributed these errors to a lack of understanding of the clinical guidelines for coding the diagnosis and treatment of Kwashiorkor and to potentially confusing direction from the ICD-9-CM coding books.

RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare program \$477,334 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

BAPTIST MEDICAL CENTER COMMENTS

In written comments, the Hospital concurred with our finding that all 102 claims that we reviewed were incorrectly billed with a diagnosis code for Kwashiorkor. The Hospital said that it had conducted its own review and identified an additional five claims that it had billed incorrectly. One of the five claims was under review by a Recovery Audit Contractor. We included the remaining four claims in our review.

The Hospital also described the action it had taken to refund the overpayments and strengthen internal controls over the billing of Kwashiorkor.

The Hospital's comments are included as Appendix B.

¹ We did not include in this report a fifth claim with an overpayment of \$10,388 identified by the Hospital because it was under review by a Recovery Audit Contractor.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered \$1,220,948 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, 2013. We did not review claims for which the use of diagnosis code 260 did not change the Medicare payment, 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 June through September 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 the use of 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 102 claims to determine whether the diagnosis code for Kwashiorkor was used correctly;
- reviewed the information that the Hospital provided;
- discussed the incorrectly coded claims with Hospital officials to determine the underlying causes of noncompliance with Medicare requirements; 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: BAPTIST MEDICAL CENTER



September 19, 2014

Report Number A-03-14-00007

Stephen Virbitsky, Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General, Office of Audit Services, Region III
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Dear Mr. Virbitsky,

This letter is in response to the August 22, 2014 letter and subsequent communication which provided the results of the Office of Inspector General's (OIG) review of Baptist Health System's (BHS) Medicare billing of claims with diagnosis code 260 (Kwashiorkor).

On August 18, 2014, prior to receiving the OIG notification letter, BHS had completed an internal review and determined that BHS had received overpayments resulting from the incorrect assignment of ICD-9-CM diagnosis code 260/Kwashiorkor to patients suffering from malnutrition.

Our internal review identified 189 accounts from 1/1/2010 – 6/30/2014 (with the most recent account having a discharge date of 11/30/2012). Correcting the diagnosis code on 82 of these accounts did not affect the payment. Correcting the diagnosis code on the remaining 107 accounts resulted in an overpayment totaling \$487,721.68. One hundred and two (102) of these accounts were identical to the accounts identified by the OIG's review and detailed in the notification letter. An additional 5 accounts were identified by BHS's internal review.

On August 22, 2014, final review and approval steps were underway to initiate repayment that would result in coding changes, corrected claim submissions, and payment connections. However, we received the OIG notification letter on this date and paused our repayment process pending our conversations and coordination with the OIG.

As of the date of this letter, BHS has utilized the routine claims correction process to repay the identified overpayment of \$487,721.68 to Novitas, our Medicare Administrative Contractor. Please note that \$487,721.68 reflects the 102 accounts indicated by the OIG in the notification letter, as well as an additional 5 accounts identified by BHS to be overpaid.

We have determined the primary root causes of this coding error are (1) a lack of clinical understanding by BHS's coding workforce regarding the diagnosis and treatment of Kwashiorkor; and (2) potentially confusing direction from the official ICD-9-CM coding books, which are published by the National Centers for Health Statistics (NCHS).

The official version of the NCHS ICD-9-CM index directs coders to assign ICD-9-CM code 260, Kwashiorkor, when the provider has documented "protein malnutrition."

In the third quarter of 2009, an American Hospital Association (AHA) publication entitled *Coding Clinic for ICD-9-CM*, an official CMS-approved publication for ICD-9-CM diagnosis code assignment, issued a clarification regarding the appropriate coding of ICD-9-CM code 260. When questioned whether code 260 would be appropriate for a diagnostic statement of "protein malnutrition," the AHA's response was as follows:

"...Code 260, Kwashiorkor, is not appropriate since the provider did not specifically document this condition. Kwashiorkor syndrome is a condition that is caused by severe protein deficiency that is usually seen in some underdeveloped areas in Africa and Central America; however, it is extremely rare in the United States.

The National Center for Health Statistics (NCHS) is considering a proposal to revise the index entries under mild and moderate protein malnutrition in order to provide clearer direction to the coder."

To date, the NCHS has not updated the official ICD-9-CM coding book index to remedy this potentially confusing issue for hospital coders nationwide. The official code book continues to direct coders to code 260 for a diagnosis of protein malnutrition.

Specific Kwashiorkor education was provided to all BHS coders as part of compliance training. A safeguarding process was also established to direct appropriate action when a coder is uncertain about a diagnosis.

System generated compliance edits have also been implemented that will automatically hold any account with diagnosis code 260, requiring a supervisor quality review prior to billing. In addition, post billing routine data mining practices have been instituted to monitor claims coded with a diagnosis code 260.

In the event you have any questions or further recommendations, please do not hesitate to contact me.

Sincerely,

/Chad R. Palmer/

Compliance Officer
Baptist Health System
12505 Lebanon Road
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Enclosure

Cc: Graham Reeve, Regional Chief Executive Officer, Baptist Health System