



December 10, 2003

Report Number: A-04-03-01004

Ms. Denise McGrath
Chief Financial Officer-Director of Operations
101 East Florida Avenue
Melbourne, Florida 32901-9966

Dear Ms. McGrath:

The enclosed report provides the results of our *Review of the Outpatient Cardiac Rehabilitation Services – HealthSouth Sea Pines Rehabilitation Hospital*. This review was in response to Centers for Medicare & Medicaid Services request for Office of Inspector General assistance in determining whether outpatient cardiac rehabilitation programs meet the current requirements outlined in the Medicare Coverage Issues Manual (Section 35-25).

The overall objective of our review was to determine whether Medicare properly reimbursed Health South Sea Pines Rehabilitation Hospital (Sea Pines) for outpatient cardiac rehabilitation services. Specifically, we determined whether Sea Pines' policies and procedures reflected Medicare cardiac rehabilitation coverage requirements for direct physician supervision, "incident to" services, and Medicare covered diagnoses; and, payments to Sea Pines for outpatient cardiac rehabilitation services provided to Medicare beneficiaries during calendar year (CY) 2001 were for Medicare covered diagnoses, were supported by adequate documentation, and were otherwise allowable for reimbursement.

Although physician supervision is assumed to be met in an outpatient hospital department, Sea Pines did not designate a physician to supervise the services provided through its cardiac rehabilitation program. Further, contrary to current Medicare requirements, we could not identify the physician professional services to which the cardiac rehabilitation services were provided "incident to." In addition, from our specific claims review for Medicare covered diagnoses, allowability, and documentation for the sample of 30 beneficiaries receiving outpatient cardiac rehabilitation services during CY 2001, we determined that Sea Pines received \$27,181 in Medicare reimbursement for:

- multiple units of service for a single cardiac rehabilitation visit (29 beneficiaries);
- services where the referring physician designated a non-cardiac diagnosis (pulmonary) on the prescription (1 beneficiary);
- services where diagnoses establishing the patients' eligibility for cardiac rehabilitation may not have been supported by medical records (five beneficiaries); and,
- inadequately documented outpatient cardiac rehabilitation services (five beneficiaries).

We recommend that Sea Pine's: (1) work with Cahaba GBA to ensure that Sea Pines' outpatient cardiac rehabilitation program is being conducted in accordance with the Medicare coverage requirements for direct physician supervision and for services provided "incident to" a physician's professional service; (2) work with Cahaba GBA to establish the amount of repayment liability, identified as \$902 for services provided to beneficiaries where medical documentation may not have supported Medicare covered diagnoses; (3) refund to Cahaba GBA the \$26,279 overpayment identified; (4) conduct an internal review of all cardiac rehabilitation claims from August 1,2000 (effective date of outpatient prospective payment system) to the present and report the overpayments to the FI and the Office of Inspector General; (5) implement controls to ensure only 1 unit of service per beneficiary is billed for each cardiac rehabilitation session; and, (6) implement controls to ensure that medical record documentation is maintained to support Medicare outpatient cardiac rehabilitation services.

Final determination as to actions taken on all matters reported will be made by the Department of Health and Human Services (HHS) action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, (5 United States Code 552, as amended by Public Law 104-231), Office of Inspector General reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act (see 45 Code of Federal Regulations Part 5).

If you have any questions or comments about this report, please contact Don Czyzewski, Audit Manager, at 305-536-5309, extension 10. To facilitate identification, please refer to report number A-04-03-01004 in all correspondence relating to this report.

Sincerely,



Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

Enclosures – as stated

Direct Reply to HHS Action Official:
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Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE OUTPATIENT
CARDIAC REHABILITATION
SERVICES – HEALTHSOUTH SEA
PINES REHABILITATION HOSPITAL**



**DECEMBER 2003
A-04-03-01004**

Notices

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

This review is part of a nationwide analysis of Medicare reimbursement for outpatient cardiac rehabilitation services. The analysis was requested by the Administrator of the Centers for Medicare & Medicaid Services (CMS) to determine the level of provider compliance with national Medicare outpatient cardiac rehabilitation policies.

OBJECTIVE

The overall objective of our review was to determine whether Medicare properly reimbursed Health South Sea Pines Rehabilitation Hospital (Sea Pines) for outpatient cardiac rehabilitation services. Specifically, we determined whether:

- Sea Pines' policies and procedures reflected Medicare cardiac rehabilitation coverage requirements for direct physician supervision, "incident to" services, and Medicare covered diagnoses; and,
- payments to Sea Pines for outpatient cardiac rehabilitation services provided to Medicare beneficiaries during calendar year (CY) 2001 were for Medicare covered diagnoses, were supported by adequate documentation, and were otherwise allowable for reimbursement.

RESULTS OF AUDIT

Although physician supervision is assumed to be met in an outpatient hospital department, Sea Pines did not designate a physician to directly supervise the services provided through its cardiac rehabilitation program. Further, contrary to current Medicare requirements, we could not identify the physician professional services to which the cardiac rehabilitation services were provided "incident to." In addition, from our specific claims review for Medicare covered diagnoses, allowability and documentation for the sample of 30 beneficiaries receiving outpatient cardiac rehabilitation services during CY 2001, we determined that Sea Pines received \$27,181 in Medicare reimbursement for:

- multiple units of service for a single cardiac rehabilitation visit (\$25,279 for 29 beneficiaries);
- services where the referring physician designated a non-cardiac diagnosis (pulmonary) on the prescription (\$927 for 1 beneficiary);
- services where diagnoses establishing the patients' eligibility for cardiac rehabilitation may not have been supported by medical records (\$902 for 5 beneficiaries); and,

- inadequately documented outpatient cardiac rehabilitation services (\$73 for 5 beneficiaries).

It should be noted that the sample errors and Medicare payments are part of a larger statistical sample and will be included in a multistate projection of outpatient cardiac rehabilitation service claims not meeting Medicare coverage requirements. We attribute these questionable services to weaknesses in Sea Pine's internal controls and oversight procedures. Existing controls did not ensure that supporting documentation for Medicare billings and reimbursements for outpatient cardiac rehabilitation services was maintained. In addition, Sea Pines' procedures included billing cardiac rehabilitation sessions in units of time rather than one session per visit. The hospital staff stated that the fiscal intermediary (FI) approved their method of charging in units of time (15 minutes intervals) for cardiac rehabilitation exercises rather than 1 unit for each visit.

Our determinations regarding Medicare covered diagnoses were based solely on our review of the medical record documentation. The medical records have not yet been reviewed by FI staff. We believe that Sea Pines' FI, Blue Cross Blue Shield of Alabama, Cahaba Government Benefit Administrators (Cahaba GBA), should make a determination as to the allowability of the Medicare claims and appropriate recovery action.

RECOMMENDATIONS

We recommend that Sea Pines:

- work with Cahaba GBA to ensure that Sea Pines' outpatient cardiac rehabilitation program is being conducted in accordance with the Medicare coverage requirements for direct physician supervision and for services provided "incident to" a physician's professional service;
- work with Cahaba GBA to establish the amount of repayment liability, identified as \$902 for services provided to beneficiaries where medical documentation may not have supported Medicare covered diagnoses;
- refund to Cahaba GBA the \$26,279 overpayment identified for multiple units billed (\$25,279), non-covered diagnosis (\$927), and undocumented services (\$73);
- conduct an internal review of all cardiac rehabilitation claims from August 1, 2000 (effective date of outpatient prospective payment system) to the present and report the overpayments to the FI and the Office of Inspector General;
- implement controls to ensure only 1 unit of service per beneficiary is billed for each cardiac rehabilitation session; and,
- implement controls to ensure that medical record documentation is maintained to support Medicare outpatient cardiac rehabilitation services.

SEA PINES' COMMENTS

Sea Pines indicated that it has adequate processes and systems in place to meet the physician supervision and “incident to” requirements. With regard to the sample results, Sea Pines agreed with the billing errors and stated its billing procedures were modified accordingly. However, Sea Pines stated that they rely on the referring physicians’ certifications and re-certifications that the patients have stable angina. In addition, Sea Pines does not believe the report clearly reflects that the records for stable angina have not been reviewed by medical personnel and may not be in error. Also, the hospital felt the undocumented service errors were an extremely low error rate that should be acknowledged in the report. In summary, Sea Pines stated that they would work with Cahaba GBA to resolve issues as necessary.

OFFICE OF INSPECTOR GENERAL’S RESPONSE

We acknowledge that the Medicare Intermediary Manual states that the physician supervision requirement is generally assumed to be met where outpatient therapeutic services are performed on hospital premises. However, we could not conclude that physicians with other responsibilities would be immediately available at all times as required by definition of direct physician supervision in the Medicare Coverage Issue Manual, Section 35-25. With respect to “incident to” services, Section 35-25 of Medicare Coverage Issues Manual requires that each patient be under the care of a hospital physician, and Section 3112.4 of the Medicare Intermediary Manual requires that during any course of treatment rendered by auxiliary personnel, the physician must personally see the patient periodically and sufficiently often to assess the course of treatment. A hospital physician did not do this.

We acknowledge that medical personnel have not reviewed the beneficiaries’ records. The Medicare Coverage Issues Manual, Section 35-25, states that cardiac rehabilitation programs are considered reasonable and necessary only for patients with a clear medical need. The medical records did not clearly reflect that stable angina was present. Thus, we recommended that Sea Pines work with Cahaba to review the medical claims to determine whether the patient’s referring physician had established the diagnoses for stable angina. We also recognize the low error rate for the undocumented services; however, all errors in our sample claims would be reported because they are actual errors and not projected over the population.

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INTRODUCTION

BACKGROUND

Medicare Coverage

The Medicare program, established by title XVIII of the Social Security Act (Act), provides health insurance to people aged 65 and over, the disabled, people with end stage renal disease, and certain others who elect to purchase Medicare coverage. The Medicare program is administered by CMS. CMS currently covers Phase II outpatient cardiac rehabilitation programs conducted in specialized, free-standing cardiac rehabilitation clinics and in outpatient hospital departments under the “incident to” benefit (Section 1861(s)(2)(A) of the Act).

Medicare coverage policy for cardiac rehabilitation services is found in Section 35-25 of the Medicare Coverage Issues Manual. Under Medicare, outpatient cardiac rehabilitation is considered reasonable and necessary only for patients with a clear medical need, who are referred by their attending physicians, and (1) have a documented diagnosis of acute myocardial infarction within the preceding 12 months, (2) have had coronary artery bypass graft surgery, and/or (3) have stable angina pectoris. Services provided in connection with the cardiac rehabilitation program may be considered reasonable and necessary for up to 36 sessions, usually 3 sessions per week in a single 12-week period. Each cardiac rehabilitation session is considered to be one unit of service.

Cardiac rehabilitation is provided by nonphysician personnel, who are trained in both basic and advanced life support techniques and exercise therapy for coronary disease, under the supervision of a physician. Direct supervision means that a physician must be in the exercise area and immediately available and accessible for an emergency at all times the exercise program is conducted. It does not require a physician to be physically present in the exercise room itself. For outpatient therapeutic services provided in a hospital, the Medicare Intermediary Manual states, “The physician supervision requirement is generally assumed to be met where the services are performed on hospital premises.”

In order to be covered under the “incident to” benefit in an outpatient hospital department, services must be furnished as an integral, although incidental part of the physician’s professional service in the course of diagnosis or treatment of an illness or injury. This does not mean that each occasion of service by a nonphysician need also be the occasion of the actual rendition of a personal professional service by the physician. However, during any course of treatment rendered by auxiliary personnel, the physician must personally see the patient periodically and sufficiently often to assess the course of treatment and the patient’s progress and, where necessary, to change the treatment program.

Cardiac Rehabilitation Programs

Cardiac rehabilitation consists of comprehensive programs involving medical evaluation, prescribed exercise, cardiac risk factor modification, education, and counseling. Cardiac rehabilitation programs are typically divided into three phases, as follows:

- Phase I. Phase I rehabilitation is initiated in the acute convalescent period following a cardiac event during the hospital phase of treatment. This phase of cardiac rehabilitation is considered part of the hospital stay and is covered as part of the Medicare diagnosis-related group allowance for the hospital stay.
- Phase II. Phase II begins with a physician's prescription (referral) after the acute convalescent period and after it has been determined that the patient's clinical status and capacity will allow for safe participation in an individualized progressive exercise program. This phase requires close monitoring and is directed by a physician who is on-site. Phase II outpatient cardiac rehabilitation is covered by Medicare.
- Phase III. Phase III begins after completion of Phase II and involves a less intensively monitored aerobic exercise program. Phase III level programs are considered maintenance and are not covered by Medicare.

Medicare reimburses outpatient hospital departments for cardiac rehabilitation services under the outpatient prospective payment system. Cardiac rehabilitation services are paid by a Medicare FI based on an ambulatory payment classification. The FI for Sea Pines is Cahaba GBA. For CY 2001, Sea Pines provided outpatient cardiac rehabilitation services to 68 Medicare beneficiaries and received \$81,011 in Medicare reimbursements for these services.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our review is part of a nationwide analysis of Medicare reimbursement for outpatient cardiac rehabilitation services. The analysis was requested by the CMS Administrator to determine the level of provider compliance with Medicare coverage requirements for outpatient cardiac rehabilitation services. As such, the overall objective of our review was to determine whether Medicare properly reimbursed Sea Pines for outpatient cardiac rehabilitation services. Specifically, we determined whether:

- Sea Pines' policies and procedures reflected Medicare cardiac rehabilitation coverage requirements for direct physician supervision, "incident to" services, and Medicare covered diagnoses; and,
- payments to Sea Pines for outpatient cardiac rehabilitation services provided to Medicare beneficiaries during CY 2001 were for Medicare covered diagnoses, were supported by adequate documentation, and were otherwise allowable for reimbursement.

Scope

To accomplish these objectives, we reviewed Sea Pines' current policies and procedures and interviewed staff to gain an understanding of Sea Pines' management of its outpatient cardiac rehabilitation program and the billing procedures for cardiac rehabilitation services. In addition, we reviewed Sea Pines' cardiac rehabilitation services documentation, inpatient medical records, referring physician prescriptions and supporting medical records, and Medicare reimbursement data for 30 beneficiaries who received outpatient cardiac rehabilitation services from Sea Pines during CY 2001 as part of a multistate sample. Specifically, we reviewed Sea Pines' outpatient cardiac rehabilitation procedures for and controls over physician supervision, cardiac rehabilitation staffing, availability of advanced cardiac life support equipment, and documentation of services provided and billed to Medicare.

The Sea Pines sample included 30 of 68 Medicare beneficiaries who received outpatient cardiac rehabilitation services from Sea Pines during CY 2001. We reviewed all Medicare paid claims for cardiac rehabilitation services provided to these 30 beneficiaries during CY 2001.

Our audit was conducted in accordance with generally accepted government auditing standards.

Methodology

We compared Sea Pines' current policies and procedures for outpatient cardiac rehabilitation to national Medicare coverage requirements and identified any differences. We documented how Sea Pines' staff provided physician supervision for cardiac rehabilitation services and verified that Sea Pines' cardiac rehabilitation program personnel were qualified in accordance with Medicare requirements. We also verified the availability of advanced cardiac life support equipment in the cardiac rehabilitation exercise area.

For each sampled beneficiary, we obtained the CY 2001 Medicare outpatient cardiac rehabilitation paid claims and lines of service and compared this data to Sea Pines' outpatient cardiac rehabilitation service documentation. We reviewed the medical records maintained by the cardiac rehabilitation program to determine whether services were provided "incident to" a physician's professional service. We also verified the accuracy of the diagnoses identified on the Medicare claims to each beneficiary's inpatient medical record, the referring physician's medical record and referral, and Sea Pines' outpatient cardiac rehabilitation medical record. The medical records have not been reviewed by the FI staff. In addition, we verified whether Medicare reimbursed Sea Pines beyond the maximum number of services allowed.

In accordance with the intent of CMS's request for a nationwide analysis, we determined the extent to which providers were currently complying with existing Medicare coverage requirements. We performed fieldwork at Sea Pines, Melbourne, Florida and at our field office in Tallahassee, Florida during the period of February through June 2003. Sea Pines' comments on the draft report are included in its entirety as APPENDIX C to this report. The summary of the hospital's comments and our response follow the Recommendations section.

RESULTS OF AUDIT

Although physician supervision is assumed to be met in an outpatient hospital department, Sea Pines did not designate a physician to supervise the services provided through its cardiac rehabilitation program. Further, contrary to current Medicare requirements, we could not identify the physician professional services to which the cardiac rehabilitation services were provided “incident to.” In addition, from our specific claims review for Medicare covered diagnoses, allowability and documentation for the sample of 30 beneficiaries receiving outpatient cardiac rehabilitation services during CY 2001, we determined that Sea Pines received \$27,181 in Medicare reimbursement for:

- multiple units of service for a single cardiac rehabilitation visit (29 beneficiaries);
- services where the referring physician designated a non-cardiac diagnosis (pulmonary) on the prescription (1 beneficiary);
- services where diagnoses establishing the patients’ eligibility for cardiac rehabilitation may not have been supported by medical records (5 beneficiaries); and,
- inadequately documented outpatient cardiac rehabilitation services (5 beneficiaries).

PHYSICIAN INVOLVEMENT IN OUTPATIENT CARDIAC REHABILITATION

Direct Physician Supervision

Medicare requirements for outpatient cardiac rehabilitation state that direct supervision means that a physician must be in the exercise area and immediately available and accessible for an emergency at all times the exercise program is conducted. The physician supervision requirement is generally assumed to be met where the services are performed on hospital premises.

At Sea Pines, no physician was actually designated to provide physician supervision to the cardiac rehabilitation exercise area, and no documentation existed in the cardiac rehabilitation program’s medical records to support physician supervision during exercise sessions. On a day-to-day basis, the cardiac rehabilitation program was staffed and run by respiratory therapists, exercise physiologists, and other staff. A clinical coordinator, who was a respiratory therapist, was responsible for the day-to-day supervision of the cardiac rehabilitation area.

Even though Sea Pines’ outpatient cardiac rehabilitation program had a medical director, he was not on location. Sea Pines’ policies and procedures stated that among other duties, the medical director was responsible for discussing and resolving patient care, treatment, and service management issues with respective medical staff. There did not appear to be a requirement that the medical director provide physician supervision or be in the exercise area and immediately available for an emergency at all times the exercise program is being conducted.

Instead, Sea Pines' cardiac rehabilitation staff would contact available physicians whose offices were located nearby. In addition, the cardiac rehabilitation staff indicated that they would call 911 for an emergency response team. The staff further stated that no emergency event has occurred in the cardiac rehabilitation unit. The cardiac rehabilitation staff believed that physicians, located nearby the cardiac rehabilitation exercise area, could respond to any medical emergency that can occur in the cardiac rehabilitation unit.

Although Medicare policy provides that physician supervision is assumed to be met in an outpatient hospital department, we believe that Sea Pines should work with Cahaba GBA to ensure that the reliance placed on other physicians nearby and the emergency response team to provide this supervision specifically conforms to the requirements.

“Incident To” Physician Services

Medicare covers Phase II cardiac rehabilitation under the “incident to” benefit. In an outpatient hospital department, the “incident to” benefit does not require that a physician perform a personal professional service on each occasion of service by a nonphysician. However, during any course of treatment rendered by auxiliary personnel, the hospital physician must personally see the patient, periodically and sufficiently often, to assess the course of treatment and the patient's progress and, where necessary, to change the treatment program.

At Sea Pines, we could not identify the hospital physician professional services to which the cardiac rehabilitation services were provided “incident to.” According to Sea Pines' policies and procedures, each patient referred to Sea Pines' outpatient cardiac rehabilitation program attends a personal intake session to determine an individualized plan of care for exercise training and cardiac risk factor reduction education and counseling. This session includes, among other services, a focused physical assessment of the patient's condition and symptoms since discharge from the hospital, and a functional capacity assessment to help determine an individualized exercise prescription.

Based on the assessment, an individualized plan of care, which addresses the exercise plan, cardiac risk factor educational/counseling plan, psychosocial plan, discharge plan, and outcome measurement plan, is developed. Patients generally attend the phase II cardiac rehabilitation program 3 days per week. The cardiac rehabilitation clinician prior to each exercise session does an ongoing assessment. This assessment includes a determination based on new onset of signs/symptoms, blood pressure, and heart rate and rhythm. The respiratory therapist that staffed the cardiac rehabilitation unit conducted the intake sessions, as well as the ongoing assessments.

According to Sea Pines' policies and procedures, physicians, usually the referring physicians, should be contacted by the cardiac rehabilitation staff when a determination of the new onset of signs/symptoms was made during the ongoing assessments. The policies and procedures further indicate the hospital sends an updated patient progress report every 30 days to the referring physician. The referring physician is required to sign and return the progress report or treatment would be terminated. We found evidence that referring physicians were notified of new signs/symptoms and monthly progress reports; however, we did not see any patients terminated.

From our review of Sea Pines' outpatient cardiac rehabilitation medical records, we could not locate evidence of any hospital physician professional services rendered to the patients participating in the program. Although required under the "incident to" benefit, there was no documentation to support that a hospital physician personally saw the patient periodically and sufficiently often to assess the course of treatment and the patient's progress and, where necessary, to change the treatment program. Accordingly, we believe that Sea Pines' cardiac rehabilitation program should work with Cahaba GBA to ensure that the "incident to" provision conforms to the requirements.

MEDICARE COVERED DIAGNOSES AND DOCUMENTATION

Medicare coverage considers cardiac rehabilitation services reasonable and necessary only for patients with a clear medical need, who are referred by their attending physician; and (1) have a documented diagnosis of acute myocardial infarction within the preceding 12 months; (2) have had coronary artery bypass graft surgery; and/or (3) have stable angina pectoris. Medicare reimburses providers for Phase II outpatient cardiac rehabilitation services and allows one unit of service to be billed per cardiac rehabilitation session. Documentation for these services must be maintained in the patients' medical records.

Our statistical sample of 30 of 68 Sea Pines' Medicare beneficiaries, with claims for outpatient cardiac rehabilitation services amounting to \$31,140 during CY 2001, disclosed that Medicare claims for the 30 beneficiaries contained 40 errors. Some beneficiaries had more than one type of error.

Categories of Errors

Multiple Units Billed. Sea Pines submitted claims with units of time rather than one visit per session of cardiac rehabilitation service. Medicare policy counts a visit to the cardiac rehabilitation center as one unit of service per day. For the 29 beneficiaries, Medicare paid Sea Pines for multiple units of service for each day for these beneficiaries. As a result, Sea Pines received an additional \$25,279 for these claims from Medicare.

Medicare Covered Diagnoses. Medicare paid Sea Pines for outpatient cardiac rehabilitation services with diagnoses establishing eligibility for cardiac rehabilitation, which did not appear to be supported by the notes in the beneficiaries' medical records. Of the 30 sampled beneficiaries, eligibility for 6 beneficiaries was based on the diagnosis of acute myocardial infarction, eligibility for 16 beneficiaries was based on the diagnosis of coronary artery bypass graft surgery, eligibility for 7 beneficiaries was based on the diagnosis of stable angina, and 1 beneficiary had a non-cardiac diagnosis. For the 22 beneficiaries with diagnoses of acute myocardial infarction or coronary artery bypass graft surgery, medical records contained documentation to support the diagnoses. For the remaining 8 beneficiaries:

- Sea Pines received \$927 from Medicare for 1 beneficiary that received pulmonary rehabilitation services billed as cardiac rehabilitation services; and,

- medical records for 5 of the 7 beneficiaries with diagnoses of stable angina did not appear to indicate that he/she continued to experience stable angina post-procedure. As a result, we believe that Medicare may have inappropriately paid \$902 to Sea Pines for the cardiac rehabilitation services provided to these 5 beneficiaries.

To validate the diagnosis of stable angina, we obtained and reviewed the inpatient medical records as well as the medical records of the physicians who referred these five beneficiaries for cardiac rehabilitation. The medical records covered the dates of the medical episode for referring the patient through their completion of Phase II of the cardiac rehabilitation program.

From our review of the medical records of the five beneficiaries, three had been admitted to a hospital with a diagnosis of unstable¹ or stable angina,² and two were seen in the physician's offices for increasing episodes of angina. Two beneficiaries who had been admitted to the hospital had cardiac procedures such as stenting or valve replacements. The other three beneficiaries did not undergo therapeutic cardiac procedures. After their discharge from the hospital or documented episodes of increasing angina, their physicians referred the beneficiaries to the outpatient cardiac rehabilitation program. We were unable to determine if the beneficiaries continued to experience angina symptoms post-procedure and through their completion of Phase II of the cardiac rehabilitation program.

Undocumented Services. Sea Pines was unable to locate supporting cardiac rehabilitation files and specific dates of services or documentation for services provided to five beneficiaries. As a result, Medicare made inappropriate reimbursements of \$73³ to Sea Pines for the unsupported claims for the five beneficiaries.

Underlying Causes for Errors

Multiple Units Billed. The hospital's procedures were to bill Medicare for units of time rather than for a visit for each Phase II cardiac rehabilitation service. The Sea Pines' staff stated that the FI approved their method for submitting claims with units of time (15 minute intervals) rather than 1 visit per session for cardiac rehabilitation exercises. The provider thought they were still under the cost report method for reimbursement and that the reimbursement would be adjusted at year-end.

¹ Unstable angina is not a Medicare covered diagnosis for outpatient cardiac rehabilitation.

² Stable angina was defined as a pain or discomfort in the chest or adjacent areas caused by insufficient blood flow to the heart muscle. This chest pain is relieved by rest or medication within a short period of time (usually 15 minutes). Chest pain of a longer duration or pain appearing with a lower level of effort than before, even at rest, should be considered unstable angina. Symptoms of stable angina included a feeling of tightness, heavy pressure, or squeezing or crushing chest pain that is under the breastbone or slightly to the left; is not clearly localized; may radiate to the shoulder, arm, jaw, neck, back, or other areas; may feel similar to indigestion; is precipitated by activity, stress, or exertion; lasts 1 to 15 minutes; and is usually relieved by rest and/or nitroglycerin. This information was obtained from the MEDLINEplus Medical Encyclopedia, identified at the U.S. National Library and National Institute for Health website (<http://www.nlm.nih.gov/medlineplus/ency/article/000198.htm>).

³ The dollars applicable to multiple sessions exceeding one allowable session per visit for these claims were included in the section Multiple Units Billed and not counted in this section.

Medicare Covered Diagnoses. Sea Pines' cardiac rehabilitation staff indicated that the one beneficiary receiving pulmonary rehabilitation was a coding error.

For the five beneficiaries with stable angina diagnoses, the cardiac rehabilitation staff conducted an initial assessment with each beneficiary. This assessment includes a focused physical assessment of the patient's condition and symptoms since discharge from the hospital, and a functional capacity assessment. In addition, the staff accepted the physician referral with no evidence that they did an evaluation of the diagnosis. The staff indicated they would not question the physician's diagnosis on the referral.

Undocumented Services. Sea Pines was unable to locate supporting cardiac rehabilitation documentation for services provided to five beneficiaries for five dates of services that they billed the Medicare program. The Sea Pines' internal controls did not ensure supporting documentation for Medicare billings and reimbursements for outpatient cardiac rehabilitation services was maintained.

Our audit conclusions, particularly those regarding Medicare covered diagnoses, were not validated by medical personnel. Therefore, we believe that Cahaba GBA should determine the allowability of the cardiac rehabilitation services and the proper recovery action to be taken.

RECOMMENDATIONS

We recommend that Sea Pines:

- work with Cahaba GBA to ensure that Sea Pines' outpatient cardiac rehabilitation program is being conducted in accordance with the Medicare coverage requirements for direct physician supervision and for services provided "incident to" a physician's professional service;
- work with Cahaba GBA to establish the amount of repayment liability, identified as \$902 for services provided to beneficiaries where medical documentation may not have supported Medicare covered diagnoses;
- refund to Cahaba GBA the \$26,279 overpayment identified for multiple units billed (\$25,279), non-covered diagnosis (\$927), and undocumented services (\$73);
- conduct an internal review of all cardiac rehabilitation claims from August 1, 2000 (effective date of outpatient prospective payment system) to the present and report the overpayments to the FI and the Office of Inspector General;
- implement controls to ensure only 1 unit of service is billed for each cardiac rehabilitation session; and,
- implement controls to ensure that medical record documentation is maintained to support Medicare outpatient cardiac rehabilitation services.

SEA PINES' COMMENTS

Sea Pines has already contacted Cahaba about returning the overpayments related to claims for multiple units billed, the pulmonary rehabilitation claim and the five undocumented services. Sea Pines, however, believes that although there are numerous 'gray areas' in the law, Sea Pines succeeded in efforts to comply with applicable Medicare regulations relating to direct physician supervision and services provided incident to a physician's professional services. In addition, Sea Pines offered comments relating to Medicare covered diagnosis and undocumented services.

Direct Physician Supervision - Sea Pines stated that there are three physicians, including the physician who is the medical director of Sea Pines that have offices directly across the hall from the cardiac program exercise room. Moreover, there is evidence, which was provided to the auditors, demonstrating that the cardiac program was shut down and did not operate unless there was at least one physician available in these offices to provide the required level of care. In addition, the hospital suggested that the draft report be revised to accurately reflect the fact that the auditors simply suggested additional review as a matter of establishing best practices.

Services Provided Incident to a Physician's Professional Service - Sea Pines' stated that its cardiac program met the "incident to" requirements because the referring physicians did not simply write an order for the cardiac services, but submitted several written certifications to Sea Pines. Care only continued if the physician recertified the patient's need for participation every thirty days. In addition, the Sea Pine Cardiac Program medical director was also involved in managing these patients' care.

Medicare Covered Diagnosis - With regards to the five patients with diagnoses of stable angina, the hospital stated that their medical records indicated that all five beneficiaries have physician certifications as well as documentation provided by their referring physician supporting the conclusion that these patients had stable angina. Sea Pines was not aware and did not have any reason to believe that this may not have been the case. The hospital stated that the auditors reviewed medical records in the referring physicians' offices, which were not available to Sea Pines and, thus, could not form the basis of Sea Pines' action. Additionally, Sea Pines stated that it must rely on the certifications it receives and the attending physician's professional medical judgment, absent extraordinary circumstances. If the attending physician knew that the patient no longer had stable angina, then they should have notified Sea Pines and the treatment program would have been modified appropriately. In addition, the hospital stated that medical personnel did not validate these claims. Further, the draft report ultimately recommends that Cahaba establish the amount of any requisite repayment liability, implicitly acknowledging that there may in fact be no error at all in this regard. The hospital suggested that the draft report should clearly describe this fact rather than implying that any error necessarily exists.

Undocumented Services - Sea Pines stated that the draft report identifies \$73 in overpayments for undocumented services provided to five beneficiaries for five dates of services. These 5 errors occurred out of a universe of approximately 600 dates of service and thus represent an extremely low error rate (less than 1 percent), which should be acknowledged in the draft report. Moreover, all five instances involved minor clerical errors. In addition, they also note that the draft report does not discuss a number of similar errors, which resulted in underpayments to Sea Pines' Cardiac Program.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

Direct Physician Supervision - We agree that there were three physicians who have offices directly across the hall from the cardiac program exercise room. We also agree that the Hospital had designated a medical director for its outpatient cardiac rehabilitation program; however, in an interview with the medical director he stated that he is a consultant hired by the hospital and was not actively involved in cardiac rehabilitation patient care on a day-to-day basis. We acknowledge that the physician supervision requirement is generally assumed to be met when outpatient therapeutic services are performed on hospital premises. However, we could not conclude, as required by the definition of direct physician supervision in the Medicare Coverage Issues Manual, Section 35-25, that these physicians, with other responsibilities, would be immediately available at all times the exercise program was conducted.

With regard to the Hospital's suggestion the report should reflect the fact the auditors simply suggested additional review to establish best practices, our recommendation is not to establish best practices, but for the Hospital to ensure itself that it is in compliance with the requirements.

Services Provided Incident to a Physicians Professional Service - We acknowledge that the referring physician was notified and responded every 30 days. With respect to "incident to" services, Section 35-25 of the Medicare Coverage Issues Manual requires that each patient be under the care of a hospital physician, and Section 3112.4 of the Medicare Intermediary Manual requires that during any course of treatment rendered by auxiliary personnel, the physician must personally see the patient periodically and sufficiently often to assess the course of treatment. This was not done. In an interview with the medical director he stated that he is a consultant hired by the hospital and was not actively involved in patient care on a day-to-day basis. In addition, we did not find any evidence in the medical records that the medical director was actively involved in the patients' care.

Medicare Covered Diagnosis - We acknowledge that medical personnel have not reviewed the beneficiaries' records and Sea Pines relied on the certifications they received from the referring physicians. We reviewed the referring physicians' medical records and referrals, Sea Pines' outpatient cardiac rehabilitation records, and additional medical records for indication of stable angina. For five of the seven beneficiaries, we could not determine whether the patients experienced stable angina. The Medicare Coverage Issues Manual, Section 35-25, states that cardiac rehabilitation programs are considered reasonable and necessary only for patients with a clear medical need.

In response to the hospital's statement that the report should clearly acknowledge that an error may not exist, our recommendation requested Sea Pines to work with Cahaba to review the medical claims to determine whether the patients' referring physicians had established the diagnoses for stable angina.

Undocumented Services - We recognize the low error rate (5 lines out of 341 lines reviewed) for undocumented services; however, all errors in our sample claims would be reported because they are actual errors and not projected over the population. While the hospital mentions errors relating to underpayments, these are not underpayments but unsubmitted claims. We disclosed

these unsubmitted claims to Sea Pines personnel. Had the hospital been underpaid for a submitted claim in our sample, the error would have been disclosed in our report. It should be noted that it is Sea Pines' responsibility to bill for the services that were discovered.

APPENDICES

APPENDIX A

STATISTICAL SAMPLE SUMMARY OF ERRORS

The following table summarizes the errors identified during testing of our statistically selected sample of 30 Medicare beneficiaries who received outpatient cardiac rehabilitation services from Sea Pines during CY 2001. The total number of errors per diagnosis is greater than the total sample, as some beneficiaries had more than one type of error. The 30 beneficiaries reviewed were part of a multistate statistical sample. The results from our sample will be included in a multistate estimate of Medicare errors for outpatient cardiac rehabilitation services that may not have met Medicare coverage requirements or were otherwise unallowable for payment.

Table 1. Summary of Errors by Beneficiary Diagnosis and Type of Error

Number of Sampled Beneficiaries With Diagnosis	Number of Sampled Beneficiaries With Errors	Medicare Covered Diagnosis	Beneficiaries Not Having Medical Documentation Supporting the Medicare Covered Diagnosis	Multiple Units Billed Per Session	No Cardiac Rehabilitation Supporting Documentation	Total Errors Per Diagnosis
6	6	Myocardial Infarction	0	6	2	8
16	16	Coronary Artery Bypass Graft	0	16	2	18
7	7	Stable Angina Pectoris	5	7	1	13
1	1	Not Cardiac Rehabilitation Diagnosis	1	0	0	1
30	30	Total	6	29	5	40

APPENDIX B

SAMPLING AND UNIVERSE DATA AND METHODOLOGY

We statistically selected a random sample of 30 Medicare beneficiaries who received outpatient cardiac rehabilitation services from Sea Pines during CY 2001. For each beneficiary, we obtained all Medicare claims reimbursement data for outpatient cardiac rehabilitation services and compared this data to Sea Pines' outpatient cardiac rehabilitation service documentation. In addition, we determined whether the diagnoses identified on the Medicare claims were supported by each beneficiary's inpatient medical records, the referring physician's medical records and referral, and the Sea Pines' outpatient cardiac rehabilitation service records.

The results from our sample will be included in a multistate estimate of Medicare reimbursements for outpatient cardiac rehabilitation services that may not have met Medicare coverage requirements or were otherwise unallowable for payment.

Table 1. Calendar Year 2001 Outpatient Cardiac Rehabilitation Service Universe and Sampling Data and Error Value

Universe	Population Value	Sample Size	Sample Value	Sampled Beneficiaries with Errors	Sample Errors Value
68	\$81,011	30	\$31,140	30	\$27,181

October 10, 2003

Via E-mail and Registered Mail

Mr. Charles J. Curtis
Regional Inspector General for Audit Services
Office of Inspector General
Office of Audit Services
Region IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, GA 30303

RECEIVED
OCT 15 2003
Office of Audit

Re: Report No. A-04-03-01004

Dear Mr. Curtis:

We received a copy of the U.S. Department of Health and Human Services, Office of Inspector General's (the "OIG's") Draft Report on "Outpatient Cardiac Rehabilitation Services - HealthSouth Sea Pines Rehabilitation Hospital," No. A-04-03-01004, dated September 2003 ("the Draft Report"). We very much appreciate the opportunity to submit written comments on the Draft Report. As you noted in your cover letter to me of September 10, 2003, the Draft Report is not a final document, and is subject to further review and revision. We hope the Draft Report will be revised to reflect the comments and clarifications we are providing herein.

I. INTRODUCTION

HealthSouth Sea Pines Rehabilitation Hospital ("Sea Pines") is a licensed rehabilitation hospital that provides an outpatient cardiac rehabilitation program ("the Cardiac Program") to patients referred by physicians that may be unaffiliated with Sea Pines. As part of its Cardiac Program, Sea Pines has a Program Medical Director for the Cardiac Program who, among other duties, participates in patient care review conferences, and reviews and approves patient care plans for any patients he does not refer to Sea Pines, as needed. In addition, Sea Pines has an arrangement with three physicians, who have their offices directly across the hall from the Cardiac Program exercise room, to be immediately available and accessible to provide care to Cardiac Program patients as necessary.

As part of its compliance program, and its efforts to comply with applicable laws and regulations, Sea Pines conducts periodic audits of its clinical and billing records, and consults with its fiscal intermediary, Blue Cross/Blue Shield of Alabama, Cahaba Government Benefit Administrators ("Cahaba") when questions arise. In addition, Sea Pines staff worked closely with several auditors involved in the preparation of the Draft Report. As described in more detail below, we are already in the process of arranging for certain overpayments discussed in the Draft Report to be promptly returned to Cahaba in accordance with their directions. However, we believe some language in the Draft Report creates an incorrect impression that the OIG has determined that certain types of errors relating to physician supervision and certain medical diagnoses were committed. In fact, other portions of the Draft Report correctly indicate that the

auditors did not document actual errors, but rather suggested further review of these issues. While there are numerous 'gray areas' in the law, we believe Sea Pines succeeded in their efforts to comply with applicable Medicare regulations in a number of these cases. We respectfully suggest that the Draft Report be revised to accurately reflect the fact that the auditors simply suggested additional review as a matter of establishing best practices and, in a few cases, to determine whether errors may have inadvertently occurred.

II. DISCUSSION

The section of the Draft Report dealing with "Results of Audits," described various alleged concerns at Sea Pines relating to:

- Physician involvement in outpatient cardiac rehabilitation
 - Direct physician supervision
 - "Incident to" physician services

- Medicare covered diagnoses and documentation
 - Multiple units billed
 - Medicare covered diagnoses and
 - Undocumented services.

Although these various items are sometimes characterized as "errors," a detailed review of the Draft Report indicates that a number of these audit conclusions were premature. For example, the conclusion regarding certain Medicare covered diagnoses relating to stable angina apparently was never reviewed or validated by medical personal. Accordingly, as the Recommendations section in the Draft Report acknowledges, Sea Pines is simply being asked to work with Cahaba to establish the amount of repayment liability for these cases, if any. Similarly, despite the implication in the Draft Report that there was some impropriety in physician involvement in the Cardiac Program at Sea Pines, the Recommendations section suggests that Sea Pines work with Cahaba to ensure that the Sea Pines Cardiac Program is being conducted in accordance with Medicare coverage requirements for direct physician supervision and for services provided "incident to a physicians professional service." As discussed below, we believe the Cardiac Program is being conducted in conformity with applicable Medicare requirements for physician supervision.

A. Cardiac Program Services Are Provided With Direct Physician Supervision

There is a specific Medicare manual provision on Cardiac Rehabilitation Programs. The Coverage Issues Manual (CMS-Pub. 6) ("CIM") § 35-25 describes the conditions required for coverage of cardiac rehabilitation programs provided by the outpatient department of a hospital (such as Sea Pines) by stating that

Services of non-physician personnel must be furnished under the direct supervision of a physician. Direct supervision means that a physician must be in the exercise program area and immediately available and accessible for an emergency at all times the exercise program is

conducted. It does not require that a physician be physically present in the exercise room itself . . .

CIM § 35-25(A). *Also see*, Cahaba Local Medical Review Policy for Cardiac Rehabilitation (L5808).

The Coverage Issues Manual goes further to provide an example of a situation where “the presence of a physician in an office across the hall from the exercise room who is available at all times for an emergency meets the requirement that the physician is immediately available and accessible.” *Id.* This is exactly the situation at Sea Pines. Three physicians, including the physician who is the Medical Director of Sea Pines, have offices directly across the hall from the Cardiac Program exercise room. Moreover, there is evidence, which was provided to the auditors, demonstrating that the Cardiac Program was shut down and did not operate unless there was at least one physician available in these offices to provide the required level of care.

It is true that the Medical Director of the Cardiac Program is not always on site and thus does not necessarily “directly supervise” the services provided in the exercise room as that term is defined in CIM § 32-25. However, this is irrelevant. First, as the Draft Report recognizes, Medicare assumes that physician supervision is met in an outpatient hospital department. Moreover, the hospital medical staff supervising outpatient therapeutic services need not be in the same department as the ordering physician. *See* Medicare Intermediary Manual (CMS – Pub. 13-3) (“MIM”) § 3112.4(A). Thus, at Sea Pines, Medicare’s requirements for physician availability to supervise the operation of the Cardiac Program would appear to be satisfied by the physicians practicing in offices located directly across the hall from the Cardiac Program exercise room, at all times that the Cardiac Program is open.

B. Physicians Are Actively Involved In Cardiac Program Patient Case Management

MIM § 3112.4 describes Medicare's coverage of outpatient therapeutic services and indicates that "incident to" physicians' services are covered under certain conditions including a requirement that

the physician must personally see the patient periodically and sufficiently often to assess the course of treatment and the patient's progress and, where necessary, to change the treatment regiment. A hospital service or supply would not be considered incident to a physician's service if the attending physician merely wrote an order for the services or supplies and referred the patient to the hospital without being involved in the management of that course of treatment.

MIM § 3112.4(A).

We believe Sea Pines’ Cardiac Program met these requirements. The referring physicians did not simply write an order for the cardiac services, but remained actively involved in the management of the course of treatment as demonstrated by the fact that they typically

submitted several written certifications to Sea Pines; first documenting the need for treatment before the patient began his or her participation in the Cardiac Program. Care only continued if the physician recertified the patient's need for participation every thirty days. Further these physicians were consulted by Sea Pines' staff whenever a problem or particular concern arose in connection with a patient's treatment. In addition, the Sea Pine Cardiac Program Medical Director was also involved in managing these patients' care. Moreover, it is only when outpatient therapeutic services are furnished outside the hospital that the MIM specifies, by contrast, that such services must be rendered under the direct personal supervision of the physician who is treating the patient. *Id.*

In light of all these factors, we believe that the Sea Pines Cardiac Program was operated in compliance with the requirements for the provision of therapy services incident to a physician's services.

C. Personnel Misunderstanding Of Changing Medicare Policy Led To Certain Overpayments For Multiple Units Of Care

Medicare's adoption of a new prospective payment methodology for hospital outpatient services ("HOPPS") led to considerable confusion over the correct billing methodology at hospitals nationwide, particularly at hospitals providing cardiac rehabilitation, because all other rehabilitation services are paid under the physician fee schedule rather than under HOPPS. *See* Social Security Act § 1833(t)(1)(B)(iv). Shortly after HOPPS became effective, Sea Pines began working with Cahaba in connection with certain claims in order to determine why they had been denied. A number of the claims considered at that time involved bills where therapy units were billed in 15-minute intervals. Sea Pines and Cahaba representatives had discussions about these claims which apparently led to a misunderstanding because Sea Pines personnel thought Cahaba had indicated that billing for cardiac rehabilitation services in 15-minute intervals of time remained appropriate. Based on continuing discussions with Cahaba and the current audit, Sea Pines now understands that Medicare policy is that cardiac rehabilitation sessions are to be billed on a per session basis using CPT/HCPCS Codes 93797 and 93798, rather than in 15-minute intervals. Immediately following the discussions with Cahaba which eventually clarified this matter, Sea Pines revised their billing system so it would conform to this Medicare policy. This correction has been implemented and the Sea Pines business office is consulting with Cahaba on returning the \$25,279 overpayment.

D. Medicare-Covered Diagnoses

This category of alleged error apparently refers to two types of situations. In one case, a patient was provided with pulmonary rehabilitation services that were filed by Sea Pines as such. Based on your investigation, it appears that the claims processing software caused an error and Cahaba received a claim for cardiac rehabilitation services for this patient. The overpayment for this particular claim was \$927 which Sea Pines will promptly return. We are currently evaluating our software system and will take any necessary steps to prevent such an error from occurring in the future.

The second group of claims characterized in one section of the Draft Report as involving erroneous Medicare covered diagnoses related to five patients with diagnoses of stable angina. Under CIM § 35-25(a), Medicare covers cardiac rehabilitation programs under specified conditions for patients having one of three conditions, including stable angina. Our medical records indicate that all five beneficiaries have physician certifications as well as documentation provided by their referring physician supporting the conclusion that these patients had stable angina. Sea Pines was not aware and did not have any reason to believe that this may not have been the case. It appears from the Draft Report that the auditors reviewed medical records in the referring physicians' offices which were not available to Sea Pines and, thus, could not form the basis of Sea Pines' action. Sea Pines must rely on the certifications it receives and the attending physician's professional medical judgment, absent extraordinary circumstances. If the attending physician knew that the patient no longer had stable angina, then they should have notified Sea Pines and the treatment program would have been modified appropriately.

Further, as the Draft Report acknowledges, the conclusions it contains, "particularly those regarding Medicare-covered diagnoses, were not validated by medical personnel." Accordingly, the Draft Report ultimately recommends that Cahaba establish the amount of any requisite repayment liability, implicitly acknowledging that there may in fact be no error at all in this regard. We suggest the Draft Report should clearly describe this fact rather than implying that any error necessarily exists.

E. Undocumented Services Due To Clerical Errors Will Be Repaid

The Draft Report identifies \$73 in overpayments for undocumented services provided to five beneficiaries for five dates of services. These five errors occurred out of a universe of approximately 600 dates of service and thus represents an extremely low error rate (less than 1%) which should be acknowledged in the Draft Report. Moreover, all five instances involved minor clerical errors. Moreover, we also note that the Draft Report does not discuss a number of similar errors which resulted in underpayments to Sea Pines' Cardiac Program.

III. CONCLUSION

HealthSouth has already contacted Cahaba about returning the overpayments related to claims for multiple units billed, the pulmonary rehabilitation claim and the five claims involving clerical errors. As recommended, we are also prepared to conduct an internal review of all cardiac rehabilitation claims from August 1, 2000 to the present and will report any overpayments to Cahaba and to the OIG. We have already implemented controls to avoid improperly billing for multiple intervals of service, and as part of our ongoing compliance efforts, we will continue to implement controls to ensure appropriate medical record documentation. We also intend to continue to work with Cahaba as part of our ongoing efforts to ensure appropriate operation and billing for Sea Pines' Outpatient Cardiac Rehabilitation Program. However, as described above, we believe that certain of the statements in the Draft Report should be revised before the report is finalized to accurately reflect the conclusions reached.

Any claims ultimately determined to be improperly paid will be adjusted through Sea Pines' fiscal intermediary. HealthSouth appreciates the time spent in assisting us in our efforts to continue to provide quality services to Medicare beneficiaries. Please feel free to contact me if you need any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Denise McGrath". The signature is fluid and cursive, with the first name "Denise" written in a larger, more prominent script than the last name "McGrath".

Denise McGrath
Director of Operations
HealthSouth Sea Pines Rehabilitation Hospital