Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

MORRISTOWN 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

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Office of Inspector General

https://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.

EXECUTIVE SUMMARY

Morristown Medical Center incorrectly billed Medicare inpatient claims with Kwashiorkor, resulting in overpayments of $375,000 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 Morristown 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 660-bed acute-care not-for-profit community hospital located in Morristown, New Jersey. The Hospital is part of the Atlantic Health Systems. The Hospital received $5,184,537 in Medicare payments for 230 inpatient hospital claims that included a diagnosis code for Kwashiorkor during our audit period (CYs 2010 through 2012). We reviewed $5,086,397 for 198 of these claims.

WHAT WE FOUND

The Hospital did not comply with Medicare requirements for billing Kwashiorkor on 197 of the 198 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. The remaining claim had a physician's diagnosis of Kwashiorkor and therefore was billed correctly. For 149 of the incorrectly billed inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 48 inpatient claims, the errors resulted in overpayments of $374,603. 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.

WHAT WE RECOMMEND

We recommend that the Hospital:

- refund to the Medicare program $374,603 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

MORRISTOWN MEDICAL CENTER COMMENTS

In written comments, the Hospital concurred with our finding that 197 of the 198 claims that we reviewed were incorrectly billed with a diagnosis code for Kwashiorkor. The Hospital described the action it had taken to refund the overpayments and said that the coding software had been updated.

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INTRODUCTION

WHY WE DID THIS REVIEW

Kwashiorkor is a form of severe protein malnutrition. It generally affects children living in tropical and subtropical parts of the world during periods of famine or insufficient food supply. Cases in the United States are rare. The Medicare program provides health insurance coverage primarily to people aged 65 or older; however, for calendar years (CYs) 2010 and 2011, Medicare paid hospitals $711 million for claims that included a diagnosis code for Kwashiorkor. Therefore, we are conducting a series of reviews of hospitals with claims that include this diagnosis code.

OBJECTIVE

Our objective was to determine whether Morristown 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.

Morristown Medical Center

The Hospital, which is part of the Atlantic Health System, is a 660-bed acute-care not-for-profit community hospital located in Morristown, New Jersey. The Hospital received $5,184,537 in Medicare payments for inpatient hospital claims that included diagnosis code 260 for Kwashiorkor during our audit period (CYs 2010 through 2012) based on CMS's National Claims History data.

HOW WE CONDUCTED THIS REVIEW

Our audit covered $5,086,397 of Medicare payments to the Hospital for 198 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 197 of the 198 claims that we reviewed. The Hospital used diagnosis code 260 for Kwashiorkor but should have used codes for other forms of malnutrition. The remaining claim had a physician's diagnosis of Kwashiorkor and therefore was billed correctly. For 149 of the incorrectly billed inpatient claims, correcting the diagnosis code resulted in no change in the DRG payment. However, for the remaining 48 inpatient claims, the errors resulted in overpayments of $374,603. 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 197 of the 198 claims we reviewed, resulting in overpayments of $374,603. 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 149 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 48 inpatient claims, the errors resulted in overpayments of $374,603. 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 $374,603 for the incorrectly coded claims and
- strengthen controls to ensure full compliance with Medicare billing requirements.

MORRISTOWN MEDICAL CENTER COMMENTS

In written comments, the Hospital concurred with our finding that 197 of the 198 claims that we reviewed were incorrectly billed with a diagnosis code for Kwashiorkor. 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 $5,086,397 in Medicare payments to the Hospital for 198 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 March 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 either 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 198 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;

- 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: MORRISTOWN MEDICAL CENTER COMMENTS

Atlantic
Health System

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

March 19, 2014

Mr. 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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Philadelphia, PA 19106

RE: Report Number: A-03-13-00036

Dear Mr. Virbitsky:

This letter is in response to your October 2, 2013 letter and subsequent correspondence which provided the results of the Office of Inspector General's (OIG) review of Morristown Medical Center's (MMC) Medicare billing of claims with diagnosis code 260 (Kwashiorkor). The OIG's review examined MMC's claims billed during calendar years 2010-2012. The OIG found that MMC submitted 204 claims with Kwashiorkor as the primary or secondary diagnosis. The OIG divided the 204 claims into two groups -- (i) those where the Kwashiorkor diagnosis did not affect the payment for the claim (145 claims), and (ii) those where the Kwashiorkor diagnosis affected the payment for the claim and resulted in a $453,790 overpayment (59 claims).

MMC provided the OIG with documentation supporting certain claims where the Kwashiorkor diagnosis affected the payment. MMC also provided the OIG with documentation regarding certain claims that had previously been the subject of RAC review. After taking this documentation into account, the OIG reviewed 198 claims and found that MMC correctly used the Kwashiorkor diagnosis code on one claim and incorrectly used the Kwashiorkor diagnosis code on 197 claims. Correcting the diagnosis code on 149 of the 197 claims resulted in no change in payment. Correcting the diagnosis code on the remaining 48 of the 197 claims resulted in an overpayment totaling $374,603. MMC concurs with the OIG's final determination.

MMC has utilized the usual repayment process to refund the $374,603 overpayment to Novitas, the Medicare Administrative Contractor.

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Atlantic
Health System

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

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 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

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