Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

OUTPATIENT SURGERY: MEDICARE PAYMENTS FOR UNNECESSARY AND POOR QUALITY GASTROINTESTINAL ENDOSCOPIES

MANAGEMENT ADVISORY REPORT

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EXECUTIVE SUMMARY

PURPOSE

This report estimates the amount Medicare paid for beneficiaries who underwent outpatient upper gastrointestinal (GI) endoscopy or colonoscopy surgeries, known collectively as GI endoscopies, that were determined to be medically unnecessary or did not meet professionally recognized standards of care.

BACKGROUND

Section 1154 of the Social Security Act authorizes the peer review organizations (PROs) to (1) deny payment for questionable care and (2) review quality of care in postacute and ambulatory settings. In April 1989, PROs implemented 100 percent preprocedure review of at least 10 nonemergency procedures. The PROs retrospectively review 5 percent of their preprocedure approvals each quarter.

Section 1842(a)(2)(B) of the Social Security Act requires Medicare carriers to apply "safeguards against unnecessary utilization of services furnished by providers." The carriers are responsible for identifying providers, by locality and specialty, whose utilization patterns are different from medically recognized community standards and norms. The carriers are also required to monitor claims data to develop profiles on providers.

We recently completed an inspection in which we examined 360 Medicare outpatient GI endoscopies performed in ambulatory surgical centers and hospital outpatient departments. The independent medical review contractor found that, for those cases with adequate documentation, 23.3 percent of the upper GI endoscopies and 7.7 percent of the colonoscopies were medically unnecessary. The contractor also found that 5.9 percent of the upper GI endoscopy patients and 3.3 percent of the colonoscopy patients received poor care. By reviewing the beneficiary histories and claims obtained from the Medicare carriers and fiscal intermediaries, we determined the payments for the unnecessary and poor quality GI endoscopies.

FINDINGS

- Medicare spent approximately $45.3 million in 1988 for medically unnecessary GI endoscopies.
- Medicare spent almost $9.5 million in 1988 for poor care rendered to GI endoscopy patients.

RECOMMENDATION

The Health Care Financing Administration should reduce the incidence of payments for unnecessary and poor quality GI endoscopies.

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PURPOSE

This report estimates the amount Medicare paid for beneficiaries who underwent outpatient upper gastrointestinal (GI) endoscopy or colonoscopy surgeries, known collectively as gastrointestinal endoscopies, that were determined to be medically unnecessary or did not meet professionally recognized standards of care.

BACKGROUND

Although Section 1862(a)(1)(A) of the Social Security Act states that no Medicare payment may be made for services that are not reasonable and necessary, the law and regulations do not specifically define medical necessity or quality of care. Determinations regarding medical necessity and quality of care have been based on local community standards. To fill this gap, during the 1980s, many professional organizations, such as the American Society for Gastrointestinal Endoscopy, developed uniform guidelines for their members outlining medical necessity and suggesting standards of care for their various procedures.

PRO Responsibilities

Prior to 1985, the peer review organizations (PROs) were not responsible for reviewing outpatient quality of care. Since that time, several legislative bills expanded the PRO authority, including the Consolidated Omnibus Reconciliation Act (COBRA) of 1985 and the Sixth Omnibus Budget Reconciliation Act (SOBRA) of 1986. The COBRA authorized PROs to deny payment for questionable care while SOBRA mandated PROs to review quality of care in postacute and ambulatory care settings. In April 1989, PROs implemented 100 percent preprocedure review of at least 10 nonemergency inpatient or outpatient surgical procedures. The PROs were given this authority under Section 9401 of Public Law 99-272. At this time, neither GI endoscopy procedure is included on the optional review list, but the PROs can select the procedures based on historical data. In addition, the Health Care Financing Administration (HCFA) requires the PROs to review retrospectively the medical records for 5 percent of their preprocedure requests on a quarterly basis.

Under the upcoming fourth scope of work, which is scheduled for contract renewals beginning October 1, 1991, HCFA has eliminated mandatory review of nonemergency inpatient or outpatient surgical procedures. The PROs would be authorized to focus their resources on surgical or nonsurgical procedures and other services which appear

to be overutilized or substandard. The PROs will retrospectively review 3 percent of their preprocedure approvals.

Medicare Carrier Responsibilities

In addition to processing Medicare claims for payment, Section 1842(a)(2)(B) of the Social Security Act requires Medicare carriers to apply "safeguards against unnecessary utilization of services furnished by providers." Carrier responsibilities are detailed in the Medicare Carrier's Manual (MCM). The carriers are responsible for identifying providers, by locality and specialty, whose utilization patterns are different from medically recognized community standards and norms. The carriers are required to monitor claims data to develop profiles on providers and their specialty groups. The carriers also conduct studies to identify areas of special concern.

The HCFA periodically alerts Medicare fiscal agents of current abusive practices through intermediary letters or carrier bulletins. In this way, the carriers can refocus their monitoring activities while the MCM is updated.

Prior Office of Inspector General Studies

We recently completed an inspection in which we examined Medicare outpatient surgery performed in ambulatory surgical centers (ASCs) and hospital outpatient departments (OPDs). In February 1991, we released the medical outcome analysis in a final report entitled "Outpatient Surgery--Medical Necessity and Quality of Care" (OEI-09-88-01000).

The independent medical review contractor found that, for those cases with adequate documentation, 23.3 percent of the upper GI endoscopies and 7.7 percent of the colonoscopies were medically unnecessary. As mentioned in the medical outcome report, the most common reasons why the procedures were found to be medically unnecessary were (1) substantiation for the procedure was inadequate, e.g., the patient did not have a trial of medical therapy prior to the procedure or (2) symptoms did not justify the procedure, e.g., the procedure was used as a routine follow-up to a previously documented noncancerous condition.

The contractor also found that 5.9 percent of the upper GI endoscopy patients and 3.3 percent of the colonoscopy patients received poor care. Some reasons why the beneficiaries received poor care included the (1) untimely follow-up of a cancerous condition or (2) use of a follow-up colonoscopy too soon after the initial procedure.

This management advisory report is limited to a discussion of the costs associated with the medically unnecessary and poor quality GI endoscopies. The sampled surgeries were completed before preprocedure review was implemented in April 1989.

METHODOLOGY

Our random sample of 1,170 Medicare beneficiaries included 360 GI endoscopies--202 upper GI endoscopies and 158 colonoscopies. Half of the surgeries were completed in ASCs, and the other half were completed in OPDs. The surgeries were performed in the 10 States with the highest number of Medicare-certified ASCs in February 1988: Arizona, California, Florida, Illinois, Louisiana, Maryland, North Carolina, Ohio, Pennsylvania, and Texas. The surgeries were completed during the first quarter of calendar year 1988.

We collected the medical records from the physicians, ASCs, and OPDs. We used an independent medical review contractor to review the cases. The contractor used physician specialists to develop the procedure-specific criteria and to review each record for medical necessity, appropriateness of the outpatient setting, and quality of care. In addition, we interviewed a sample of ASC and OPD gastroenterologists to identify currently acceptable standards for medical necessity and quality of care.

We determined OPD and ASC payments by reviewing the beneficiary histories and claims obtained from the Medicare carriers and fiscal intermediaries. For OPDs, the payments represent the interim payments. These interim payments are subject to adjustment based on the intermediary's audit of the hospital cost report for the fiscal year in which the services were rendered. For the GI endoscopies, our analysis included the physicians' fees, ASC prospective reimbursement, OPD facility payments, and specimen biopsies. We excluded office visits from the cost data because gastroenterologists are viewed as consultants rather than primary care physicians.

In order to gain a national perspective, we made two nonstatistical projections for the data. First, we projected the 10 States' quarterly costs to annual costs. Second, since the number of procedures in our sample represents 49 percent of the Medicare procedures performed nationally, we calculated the national costs by dividing the sampled costs by 0.49. This methodology assumes the 10 sampled States are representative of the nation as a whole.

FINDINGS

MEDICARE SPENT APPROXIMATELY $45.3 MILLION IN 1988 FOR MEDICALLY UNNECESSARY GI ENDOSCOPIES.

In our sample, 56 of 344 GI endoscopies were deemed medically unnecessary by the physician reviewers. In 1988, Medicare could have saved at least a portion of $45.3 million nationally for 16.3 percent medically unnecessary GI endoscopies--$31.55 million for upper GI endoscopies and $13.78 million for colonoscopies. The 56 cases were composed of 44 upper GI endoscopies and 12 colonoscopies. Based on this finding, Medicare could have denied payment under Section 1862 (a)(1)(A).

The cost projections for both procedures are included in tables 1 and 2 in the appendix.

According to the medical reviewers, 93.6 percent (189 of 202 cases) of the upper GI endoscopies had adequate documentation for the determination of medical necessity. The 23.3 percent (44 of 189 cases) of upper GI endoscopies that were deemed medically unnecessary were evenly divided between ASCs and OPDs.

According to the medical reviewers, 98.1 percent (155 of 158 cases) of the colonoscopies had adequate documentation for the evaluation of medical necessity. The 7.7 percent (12 of 155 cases) of the colonoscopies that were deemed medically unnecessary were almost evenly divided between ASCs and OPDs.

MEDICARE SPENT ALMOST $9.5 MILLION IN 1988 FOR POOR CARE RENDERED TO GI ENDOSCOPY PATIENTS.

In our sample, 16 of 341 GI endoscopy beneficiaries received poor care. In 1988, Medicare could have saved at least a portion of $9.5 million nationally for 4.7 percent of poor care rendered to GI endoscopy patients--$4.9 million for upper GI endoscopies and $4.6 million for colonoscopies. The 16 cases were composed of 11 upper GI endoscopies and 5 colonoscopies. The cost projections for poor care rendered to GI endoscopy patients are included in tables 3 and 4 in the appendix.

According to the medical reviewers, 92.6 percent (187 of 202 cases) of the upper GI endoscopies had adequate documentation for the evaluation of quality of care. The reviewers determined that 5.9 percent (11 of 187 cases) of the beneficiaries received poor care--7 ASC and 4 OPD beneficiaries.

According to the reviewers, 97.5 percent (154 of 158 cases) of the colonoscopies had adequate documentation for the evaluation of quality of care. Of these cases, 3.3 percent (5 of 154 cases) of the beneficiaries received poor care--2 ASC and 3 OPD cases.

RECOMMENDATION

THE HCFA SHOULD REDUCE THE INCIDENCE OF PAYMENTS FOR UNNECESSARY AND POOR QUALITY GI ENDOSCOPIES.

This recommendation could be accomplished through a combination of efforts by both PROs and carriers. Both PROs and carriers can target for review those providers whose practice profiles indicate a higher than average likelihood of unnecessary or poor quality care.

In addition, HCFA could issue a carrier bulletin to reemphasize medical and postpayment review of upper GI endoscopies and colonoscopies. Among the

procedures included on the postpayment alert list in MCM Section 7514(E), carriers should monitor (1) the "use of endoscopic procedures in lieu of less costly and medically adequate x-rays" and (2) colonoscopies that are "not indicated by diagnosis or medical documentation." By combining several methods, HCFA could save at least a portion of $54.8 million annually for medically unnecessary and poor quality GI endoscopies.

APPENDIX: COST PROJECTIONS

The tables on the following pages represent the cost savings for medically unnecessary upper GI endoscopies and colonoscopies (tables 1 and 2) and poor quality upper GI endoscopies and colonoscopies (tables 3 and 4).

TABLE 1: ESTIMATED SAVINGS FOR MEDICALLY UNNECESSARY UPPER GASTROINTESTINAL ENDOSCOPY

STATE	SITE	SAMPLE CASES	MEDICALLY UNNECESSARY CASES	PERCENT MEDICALLY UNNECESSARY	AVERAGE QUARTERLY PAYMENTS	AVERAGE ANNUAL PAYMENTS	ADJUSTED UNIVERSE	ESTIMATED ANNUAL SAVINGS
Arizona	OPD	5	1	20.00%	$488.79	$1,955.16	927	$362,486.66
	ASC	4	0	0.00%	$0.00	$0.00	10	$0.00
California	OPD	32	10	31.25%	$626.77 *	$2,507.08	731	$515,439.98
	ASC	33	6	18.18%	$592.37	$2,369.48	1781	$767,280.71
Florida	OPD	5	2	40.00%	$765.31	$3,061.24	6849	$8,386,573.10
	ASC	6	3	50.00%	$500.94	$2,003.76	21	$21,039.48
Illinois	OPD	0	0	0.00%	$0.00	$0.00	0	$0.00
	ASC	0	0	0.00%	$0.00	$0.00	0	$0.00
Louisiana	OPD	6	1	16.67%	$419.28	$1,677.12	1543	$431,299.36
	ASC	5	1	20.00%	$325.56	$1,302.24	33	$8,594.78
Maryland	OPD	3	0	0.00%	$0.00	$0.00	1493	$0.00
	ASC	4	1	25.00%	$1,211.18	$4,844.72	10	$12,111.80
North Carolina	OPD	7	1	14.29%	$619.77	$2,479.08	1916	$678,559.61
	ASC	8	0	0.00%	$0.00	$0.00	18	$0.00
Ohio	OPD	9	3	33.33%	$507.38 *	$2,029.52	2385	$1,075,645.60
	ASC	10	3	30.00%	$603.45	$2,413.80	60	$43,448.40
Pennsylvania	OPD	14	3	21.43%	$642.40	$2,569.60	3888	$2,140,843.89
	ASC	14	6	42.86%	$649.44 *	$2,597.76	41	$38,038.63
Texas	OPD	11	1	9.09%	$676.58	$2,706.32	3960	$974,275.20
	ASC	13	2	15.38%	$680.97	$2,723.88	15	$6,285.88
	TOTALS:	189	44	N/A	$9,310.19	$37,240.76	25681	$15,461,923.08

* Cases had inadequate paid information to be included in calculations.

ESTIMATED NATIONAL ANNUAL SAVINGS:

$31,554,945.06

TABLE 2: ESTIMATED SAVINGS FOR MEDICALLY UNNECESSARY COLONOSCOPIES

STATE	SITE	SAMPLE CASES	MEDICALLY UNNECESSARY CASES	PERCENT MEDICALLY UNNECESSARY	AVERAGE QUARTERLY PAYMENTS	AVERAGE ANNUAL PAYMENTS	ADJUSTED UNIVERSE	ESTIMATED ANNUAL SAVINGS
Arizona	OPD	1	0	0.00%	$0.00	$0.00	98	$0.00
	ASC	1	0	0.00%	$0.00	$0.00	11	$0.00
California	OPD	32	2	6.25%	$1,267.45	$5,069.80	423	$134,032.84
	ASC	30	3	10.00%	$764.98	$3,059.92	1141	$349,136.87
Florida	OPD	11	2	18.18%	$1,086.14	$4,344.56	4681	$3,697,615.52
	ASC	11	0	0.00%	$0.00	$0.00	31	$0.00
Illinois	OPD	0	0	0.00%	$0.00	$0.00	0	$0.00
	ASC	0	0	0.00%	$0.00	$0.00	0	$0.00
Louisiana	OPD	2	0	0.00%	$0.00	$0.00	566	$0.00
	ASC	2	0	0.00%	$0.00	$0.00	15	$0.00
Maryland	OPD	3	0	0.00%	$0.00	$0.00	1193	$0.00
	ASC	3	0	0.00%	$0.00	$0.00	3	$0.00
North Carolina	OPD	4	1	25.00%	$1,533.61	$6,134.44	576	$883,359.36
	ASC	4	0	0.00%	$0.00	$0.00	8	$0.00
Ohio	OPD	6	0	0.00%	$0.00	$0.00	1429	$0.00
	ASC	6	0	0.00%	$0.00	$0.00	25	$0.00
Pennsylvania	OPD	11	2	18.18%	$736.25	$2,945.00	3126	$1,673,830.91
	ASC	12	2	16.67%	$765.12	$3,060.48	27	$13,772.16
Texas	OPD	8	0	0.00%	$0.00	$0.00	1517	$0.00
	ASC	8	0	0.00%	$0.00	$0.00	9	$0.00
	TOTALS:	155	12	N/A	$6,153.55	$24,614.20	14879	$6,751,747.66

ESTIMATED NATIONAL ANNUAL SAVINGS:

$13,779,076.85

TABLE 3: ESTIMATED SAVINGS FOR POOR QUALITY UPPER GASTROINTESTINAL ENDOSCOPY

STATE	SITE	SAMPLE CASES	POOR QUALITY CASES	PERCENT POOR QUALITY	AVERAGE QUARTERLY PAYMENTS	AVERAGE ANNUAL PAYMENTS	ADJUSTED UNIVERSE	ESTIMATED ANNUAL SAVINGS
Arizona	OPD	5	0	0.00%	$0.00	$0.00	927	$0.00
	ASC	3	1	33.33%	$735.99	$2,943.96	10	$9,813.20
California	OPD	32	1	3.13%	$452.73	$1,810.92	731	$41,368.20
	ASC	33	1	3.03%	$625.49	$2,501.96	1781	$135,030.02
Florida	OPD	6	0	0.00%	$0.00	$0.00	6849	$0.00
	ASC	6	0	0.00%	$0.00	$0.00	21	$0.00
Illinois	OPD	0	0	0.00%	$0.00	$0.00	0	$0.00
	ASC	0	0	0.00%	$0.00	$0.00	0	$0.00
Louisiana	OPD	6	0	0.00%	$0.00	$0.00	1543	$0.00
	ASC	5	0	0.00%	$0.00	$0.00	33	$0.00
Maryland	OPD	3	0	0.00%	$0.00	$0.00	1493	$0.00
	ASC	4	1	25.00%	$743.59	$2,974.36	10	$7,435.90
North Carolina	OPD	7	0	0.00%	$0.00	$0.00	1916	$0.00
	ASC	8	1	12.50%	$392.26	$1,569.04	18	$3,530.34
Ohio	OPD	9	1	11.11%	$0.00 *	$0.00	2385	$0.00
	ASC	10	0	0.00%	$0.00	$0.00	60	$0.00
Pennsylvania	OPD	13	0	0.00%	$0.00	$0.00	3888	$0.00
	ASC	13	1	7.69%	$0.00 *	$0.00	41	$0.00
Texas	OPD	11	2	18.18%	$766.32	$3,065.28	3960	$2,207,001.60
	ASC	13	2	15.38%	$813.06	$3,252.24	15	$7,505.17
	TOTALS:	187	11	N/A	$4,529.44	$18,117.76	25681	$2,411,684.44

* Cases had inadequate paid information to be included in calculations.

ESTIMATED NATIONAL ANNUAL SAVINGS:

$4,921,804.97

TABLE 4: ESTIMATED SAVINGS FOR POOR QUALITY COLONOSCOPIES

STATE	SITE	SAMPLE CASES	POOR QUALITY CASES	PERCENT POOR QUALITY	AVERAGE QUARTERLY PAYMENTS	AVERAGE ANNUAL PAYMENTS	ADJUSTED UNIVERSE	ESTIMATED ANNUAL SAVINGS
Arizona	OPD	1	0	0.00%	$0.00	$0.00	98	$0.00
	ASC	1	0	0.00%	$0.00	$0.00	11	$0.00
California	OPD	31	0	0.00%	$0.00	$0.00	423	$0.00
	ASC	30	1	3.33%	$1,153.14	$4,612.56	1141	$175,431.03
Florida	OPD	11	0	0.00%	$0.00	$0.00	4681	$0.00
	ASC	11	0	0.00%	$0.00	$0.00	31	$0.00
Illinois	OPD	0	0	0.00%	$0.00	$0.00	0	$0.00
	ASC	0	0	0.00%	$0.00	$0.00	0	$0.00
Louisiana	OPD	2	0	0.00%	$0.00	$0.00	566	$0.00
	ASC	2	0	0.00%	$0.00	$0.00	15	$0.00
Maryland	OPD	2	0	0.00%	$0.00	$0.00	1193	$0.00
	ASC	3	0	0.00%	$0.00	$0.00	3	$0.00
North Carolina	OPD	4	1	25.00%	$1,533.61	$6,134.44	576	$883,359.36
	ASC	4	0	0.00%	$0.00	$0.00	8	$0.00
Ohio	OPD	6	1	16.67%	$640.99	$2,563.96	1429	$610,649.81
	ASC	6	0	0.00%	$0.00	$0.00	25	$0.00
Pennsylvania	OPD	12	1	8.33%	$552.40	$2,209.60	3126	$575,600.80
	ASC	12	1	8.33%	$905.00	$3,620.00	27	$8,145.00
Texas	OPD	8	0	0.00%	$0.00	$0.00	1517	$0.00
	ASC	8	0	0.00%	$0.00	$0.00	9	$0.00
	TOTALS:	154	5	N/A	$4,785.14	$19,140.56	14879	$2,253,186.00

ESTIMATED NATIONAL ANNUAL SAVINGS:

$4,598,338.77