Office of Audit Services
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JUL 0 9 2008

Report Number: A-01-07-00519

Mr. Guy Ringle
Senior Vice President of Medicare
Mutual of Omaha
1707 West Broadway
Madison, Wisconsin 53713

Dear Mr Ringle:

Enclosed is the U. S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Mutual of Omaha's Medicare Part A Emergency Department Adjustments for Inpatient Psychiatric Facilities." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at http://oig.hhs.gov.

If you have any questions or comments about this report, please do not hesitate to call me at (617) 565-2684, or contact David Lamir, Audit Manager, at 617-565-2704 or through e-mail at David.Lamir@oig.hhs.gov. Please refer to report number A-01-07-00519 in all correspondence.

Sincerely,

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Nanette Foster Reilly
Consortium Administrator
Consortium for Financial Management and Fee for Service Operations
Centers for Medicare & Medicaid Services
601 East 12th Street, Room 235
Kansas City, Missouri 64106

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF MUTUAL OF OMAHA'S MEDICARE PART A EMERGENCY DEPARTMENT ADJUSTMENTS FOR INPATIENT PSYCHIATRIC FACILITIES

Daniel R. Levinson
Inspector General

July 2008
A-01-07-00519

Office of Inspector General

http://oig.hhs.gov

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

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

BACKGROUND

Prospective Payment System For Inpatient Psychiatric Facilities

Under the Medicare prospective payment system for inpatient psychiatric facilities (IPF), the Centers for Medicare & Medicaid Services (CMS) makes an additional payment to IPFs for the first day of a beneficiary's inpatient psychiatric stay to account for emergency department costs if the IPF has a dedicated emergency department. However, CMS does not adjust the payment if the beneficiary was discharged from the acute care section of the hospital to its hospital-based IPF because, in these cases, the costs of emergency department services were already included in the Medicare payment that the hospital received for the beneficiary's immediately preceding inpatient stay.

CMS designated a specific source-of-admission code for hospital-based IPFs to enter on the health insurance claim forms that they submit to Medicare Part A fiscal intermediaries. The correct source-of-admission code ensures that the hospital-based IPF does not receive an additional payment for services for which CMS has already reimbursed the hospital.

Mutual of Omaha (Mutual) is the Medicare Part A fiscal intermediary for Massachusetts, Texas, Missouri, and Louisiana. In calendar years (CY) 2005 and 2006, Mutual had administrative responsibility for processing and paying claims submitted by institutional providers, including 148 hospital-based IPF's.

OBJECTIVE

Our objective was to determine whether Mutual made overpayments to hospital-based IPFs as a result of incorrect coding on claims for beneficiaries who had been admitted to the IPF upon discharge from the acute care section of the same hospital.

SUMMARY OF FINDINGS

Mutual made overpayments to hospital-based IPFs as a result of incorrect coding on claims for beneficiaries who had been admitted to the IPF upon discharge from the acute care section of the same hospital. Of our 300 sampled claims, 80 were paid correctly, but the remaining 220 claims contained overpayments as a result of incorrect coding. Specifically, the hospital-based IPFs used source-of-admission codes that did not indicate that beneficiaries had been admitted to the IPF upon discharge from the acute care section of the same hospital. The 220 claims resulted in overpayments totaling $6,305.

Based on these sample results, we estimated that Mutual overpaid hospital-based IPFs $213,320 for incorrectly coded claims for stays during CYs 2005 and 2006. We attribute the overpayments to internal control weaknesses at hospital-based IPFs and Mutual.

RECOMMENDATIONS

We recommend that Mutual of Omaha:

- recover the $6,305 in overpayments for the sampled claims,

- review our information on the additional 9,161 claims with potential overpayments estimated at $207,015 ($213,320 less $6,305) and work with the hospital-based IPFs that provided the services to recover any overpayments, and

- strengthen its education process and emphasize to hospital-based IPFs the importance of reporting the correct source-of-admission code to identify beneficiaries who were discharged from the same acute care hospital.

MUTUAL OF OMAHA COMMENTS

In its written comments on our draft report, Mutual of Omaha agreed with our findings and recommendations. We have included Mutual of Omaha's comments in their entirety as Appendix D.

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INTRODUCTION

BACKGROUND

Prospective Payment System For Inpatient Psychiatric Facilities

As mandated by the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999, together with the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, the Centers for Medicare & Medicaid Services (CMS) developed and implemented a prospective payment system for inpatient psychiatric facilities (IPF). The IPF prospective payment system, which was effective for cost-reporting periods beginning on or after January 1, 2005, provides for a standardized Federal per diem payment per discharge. The prospective payment represents reimbursement in full for the inpatient operating and capital-related costs of furnishing Medicare-covered services in an IPF.

Under the IPF prospective payment system, CMS makes an additional payment to IPFs for the first day of an inpatient psychiatric stay to account for emergency department costs. CMS makes this payment adjustment to all IPFs that have a dedicated emergency department, regardless of whether or not the beneficiary was admitted through the emergency department. However, CMS does not adjust the payment if the beneficiary was discharged from the acute care section of the hospital to its hospital-based IPF because, in these cases, the costs of emergency department services were already included in the Medicare payment that the hospital received for the beneficiary's immediately preceding inpatient stay.

CMS designated a specific source-of-admission code for hospital-based IPFs to enter on the health insurance claim forms that they submit to Medicare Part A fiscal intermediaries. The correct source-of-admission code ensures that the hospital-based IPF does not receive an additional payment for services for which CMS has already reimbursed the hospital.

Mutual of Omaha

Mutual of Omaha (Mutual) is the Medicare Part A fiscal intermediary for Massachusetts, Texas, Missouri, and Louisiana. In calendar years (CY) 2005 and 2006, Mutual had administrative responsibility for processing and paying claims submitted by institutional providers, including 148 hospital-based IPFs.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Mutual made overpayments to hospital-based IPF's as a result of incorrect coding on claims for beneficiaries who had been admitted to the IPF upon discharge from the acute care section of the same hospital.

Scope

We reviewed 9,461 Medicare Part A claims totaling $2,211,827 that were submitted by 148 hospital-based IPFs and paid by Mutual for beneficiaries who had an immediately preceding stay in the acute care section of the same hospital during CY's 2005 and 2006.

The objective of our audit did not require an understanding or assessment of the complete internal control structure at the hospital-based IPFs or Mutual. Therefore, we limited our review of internal controls at hospital-based IPFs and Mutual to obtaining an understanding of (1) hospital-based IPFs' procedures for submitting claims for beneficiaries who were admitted upon discharge from the acute care section of the same hospital and (2) Mutual's policies and procedures for paying such claims.

We performed our fieldwork from August through December 2007. Our fieldwork included site visits to hospital-based IPFs in Massachusetts.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare regulations and CMS guidance regarding hospital-based IPF billing and fiscal intermediary payments for beneficiaries who had an immediately preceding stay in the acute care section of the same hospital;

- reviewed CMS's National Claims History file for CYs 2005 and 2006 and identified 9,461 paid claims from 148 hospital-based IPFs for beneficiaries who were admitted to the IPF upon discharge from the acute care section of the same hospital;

- selected a statistical random sample of 100 claims from a population of 3,563 claims totaling $757,061 that Mutual had paid and our computer match had identified as potentially billed with incorrect source of admission codes in CY 2005. (See Appendix A.)

- selected a statistical random sample of 100 claims from a population of 4,815 claims totaling $693,426 that Mutual had paid and our computer match had identified as potentially billed with incorrect source of admission codes in CY 2006. (See Appendix B.)

- selected a statistical random sample of 100 claims with miscoded hospital discharge data from a population of 1,083 claims totaling $761,340 that Mutual had paid and our computer match had identified as potentially billed with incorrect source of admission codes in CYs 2005 and 2006. (See Appendix C.)

- reviewed CMS's Common Working File information on our samples of 300 claims to determine whether the emergency department adjustment was paid correctly;

- contacted a total of seven hospital-based IPFs in Massachusetts, Texas, Missouri, and Louisiana to determine the cause of the incorrect billing;

- calculated the effect of the incorrect billing by using CMS's Pricer Program and Mutual's provider-specific information;

- used three statistical projections, as detailed in the Appendixes, to estimate the total value of overpayments based on the results of the samples; and

- discussed the results of our review with Mutual 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 objective.

FINDINGS AND RECOMMENDATIONS

Mutual made overpayments to hospital-based IPFs as a result of incorrect coding on claims for beneficiaries who had been admitted to the IPF upon discharge from the acute care section of the same hospital. Of our 300 sampled claims, 80 were paid correctly, but the remaining 220 claims contained overpayments as a result of incorrect coding. Specifically, the hospital-based IPFs used source-of-admission codes that did not indicate that beneficiaries had been admitted to the IPF upon discharge from the acute care section of the same hospital. The 220 claims resulted in overpayments totaling $6,305.

Based on these sample results, we estimated that Mutual overpaid hospital-based IPFs $213,320 for incorrectly coded claims for stays in CYs 2005 and 2006. We attribute the overpayments to internal control weaknesses at hospital-based IPFs and Mutual.

PAYMENTS BASED ON INCORRECT SOURCE-OF-ADMISSION CODES

Medicare Requirements

Pursuant to 42 CFR § 412.424, CMS adjusts the Federal per diem rate upward for the first day of a Medicare beneficiary's IPF stay if the IPF has a dedicated emergency department. However, CMS does not make the payment adjustment if the beneficiary is discharged from an acute care hospital and immediately admitted to the same hospital's IPF.

CMS designated a specific source-of-admission code, "Transfer from acute care section of the same hospital," for hospital-based IPFs to enter on the health insurance claim forms that they submit to Medicare Part A fiscal intermediaries. This code alerts the fiscal intermediary not to pay an emergency department adjustment for these hospital-based IPF claims, thereby preventing the hospital from receiving two payments for the same emergency department services.

Results of Sample

Hospital-based IPFs received overpayments for 220 of our 300 sampled claims. Each of these claims was billed with source-of-admission codes that did not identify that the beneficiaries had been discharged directly from the same acute care hospital. As a result, the hospital-based IPFs incorrectly received a payment adjustment for emergency department services whose costs were already included in the Medicare payment to the same acute care hospital for the beneficiary's immediately preceding stay.

Example of Overpayment Resulting From Incorrect Coding

A hospital-based IPF submitted a claim to Mutual for Mr. B's IPF stay using a source-of-admission code that indicated that Mr. B had been referred to the IPF by a physician. This code qualified the IPF to receive a payment adjustment for the first day of Mr. B's stay because the hospital had a dedicated emergency department. Accordingly, the IPF received a Medicare payment totaling $4,416 from Mutual that included a payment adjustment for the emergency department. However, we found that Mr. B had been discharged from the acute care section of the same hospital to its hospital-based IPF. Therefore, the hospital-based IPF coded the claim incorrectly. If the IPF had used the correct code, Mutual would not have applied the payment adjustment for the emergency department, and the IPF would have received a payment of $4,374. As a result of the incorrect coding, Mutual overpaid the hospital-based IPF $42 for Mr. B's stay.

By repricing the claims using the correct source-of-admission code, we determined that Mutual overpaid hospital-based IPFs $6,305 for the 220 claims that these IPFs had billed incorrectly.

ESTIMATE OF OVERPAYMENTS

Based on these sample results, we estimated that Mutual overpaid 148 hospital-based IPFs $213,320 for claims in CYs 2005 and 2006 that were billed using incorrect source-of-admission codes.

INTERNAL CONTROL WEAKNESSES

Hospital-based IPFs either were unaware of or did not follow Medicare regulations and therefore had not established the necessary controls to ensure that they coded claims correctly to prevent overpayments for emergency department services. Additionally, Mutual did not have procedures to identify hospital-based IPF claims with incorrect source-of-admission codes and ensure that the claims were correctly paid.

RECOMMENDATIONS

We recommend that Mutual of Omaha:

- recover the $6,305 in overpayments for the sampled claims,

- review our information on the additional 9,161 claims with potential overpayments estimated at $207,015 ($213,320 less $6,305) and work with the hospital-based IPFs that provided the services to recover any overpayments, and

- strengthen its education process and emphasize to hospital-based IPFs the importance of reporting the correct source-of-admission code to identify beneficiaries who were discharged from the same acute care hospital.

MUTUAL OF OMAHA COMMENTS

In its written comments on our draft report, Mutual of Omaha agreed with our findings and recommendations and stated that it was taking appropriate action. We have included Mutual of Omaha's comments in their entirety as Appendix D.

APPENDIXES

SAMPLING METHODOLOGY, RESULTS, AND ESTIMATES
SAMPLE 1

OBJECTIVE

Our objective was to determine whether Mutual of Omaha (Mutual) made overpayments to hospital-based inpatient psychiatric facilities (IPF) as a result of incorrect coding on claims for beneficiaries who had been admitted to the IPF upon discharge from the acute care section of the same hospital.

POPULATION

The population consisted of 3,563 paid claims totaling $757,061 submitted by hospital-based IPFs for calendar year 2005 and paid by Mutual for beneficiaries who were admitted to the IPF upon discharge from the acute care section of the same hospital.

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

The sample consisted of 100 claims.

SAMPLE RESULTS

For 64 of 100 sampled claims, the hospital-based IPFs billed with incorrect source-of-admission codes. These 64 claims resulted in overpayments of $1,180.

ESTIMATES OF OVERPAYMENTS

Point estimate	$42,054
90-percent confidence level	
Lower limit	$35,203
Upper limit	$48,904

SAMPLING METHODOLOGY, RESULTS, AND ESTIMATES SAMPLE 2

OBJECTIVE

Our objective was to determine whether Mutual of Omaha (Mutual) made overpayments to hospital-based inpatient psychiatric facilities (IPF) as a result of incorrect coding on claims for beneficiaries who had been admitted to the IPF upon discharge from the acute care section of the same hospital.

POPULATION

The population consisted of 4,815 paid claims totaling $693,426 submitted by hospital-based IPFs for calendar year 2006 and paid by Mutual for beneficiaries who were admitted to the IPF upon discharge from the acute care section of the same hospital.

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

The sample consisted of 100 claims.

SAMPLE RESULTS

For 88 of 100 sampled claims, the hospital-based IPFs billed with incorrect source-of-admission codes. These 88 claims resulted in overpayments of $3,102.

ESTIMATES OF OVERPAYMENTS

Point estimate	$149,366
90-percent confidence level	
Lower limit	$135,933
Upper limit	$162,798

SAMPLING METHODOLOGY, RESULTS, AND ESTIMATES
SAMPLE 3

OBJECTIVE

Our objective was to determine whether Mutual of Omaha (Mutual) made overpayments to hospital-based inpatient psychiatric facilities (IPF) as a result of incorrect coding on claims for beneficiaries who had been admitted to the IPF upon discharge from the acute care section of the same hospital.

POPULATION

The population consisted of 1,083 paid claims totaling $761,340 with miscoded hospital discharge status submitted by hospital-based IPFs for calendar years 2005 and 2006 and paid by Mutual for beneficiaries who were admitted to the IPF upon discharge from the acute care section of the same hospital.

SAMPLE DESIGN

We used a simple random sample.

SAMPLE SIZE

The sample consisted of 100 claims.

SAMPLE RESULTS

For 68 of 100 sampled claims, the hospital-based IPFs billed with incorrect source-of-admission codes. These 68 claims resulted in overpayments of $2,022.

ESTIMATES OF OVERPAYMENTS

Point estimate	$21,900
90-percent confidence level	
Lower limit	$17,156
Upper limit	$26,645

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Medicare

June 27, 2008

Michael Armstrong
Regional Inspector General for Audit Services
Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203

Re: OIG Blue Book Audit A-01-07-00519
May 2008

Dear Mr. Armstrong:

This letter is in response to the Draft OIG Blue Book titled "Review of Mutual of Omaha's Medicare Part A Emergency Department Adjustments for Inpatient Psychiatric Facilities". In your letter you requested our office to provide comments on each of the recommendations.

On November 5, 2007 we became Wisconsin Physicians Service (WPS) formerly Mutual of Omaha and assumed all existing workload. We understand that your office looked at 300 claims and 80 were paid correctly and 220 claims contained overpayments totaling $6,305.

Recommendations

OIG recommends that WPS:

- recover the $6,305 in overpayments for the sampled claims,
- review your information on the additional 9,161 claims with potential overpayments estimated at $207,015 ($213,320 less $6,305) and work with the hospital-based IPFs that provided the services to recover any overpayments, and
- strengthen its education process and emphasize to hospital-based IPFs the importance of reporting the correct source of admission code to identify beneficiaries who were discharged from the same acute care hospital.

WPS intends to recoup the overpaid amounts for the 220 claims. We will do this by adjusting the claims following normal adjustment procedures including abiding by the four-year reopening guidelines. We will also review your information on the additional claims to determine if they were overpayments we need recover.

The results of this review are also being shared with the WPS Provider Outreach area, so that they to can be incorporated into future educational activities. Our Provider Communications staff will use the results of this audit where applicable in our future provider education activities.

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Medicare

WPS looks forward to working with you in the completion of this OIG Audit of Emergency Department Adjustments for Inpatient Psychiatric Facilities. If you have any questions, or need any more information please contact Michelle Routt at 402-351-8293. You may also contact me at 402-351-6915.

Sincerely,

Mark DeFoil
Director Contract Coordination

cc: John Phelps, KCRO