



## HHS OIG ISSUES 2015 WORK PLAN SERIES

### Installment Two - A Review of Hospital Items

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*In an effort to assist our clients and friends with reviewing the OIG Work Plan for Fiscal Year 2015, we will be publishing a series of articles focusing on different aspects of the Work Plan. In this second article of the Series, we focus on the elements of the Work Plan that are specifically applicable to hospitals.*

On October 31, 2014, the Department of Health and Human Services' Office of Inspector General (OIG) posted the 2015 Work Plan. As in previous years, the OIG identified certain projects that are specifically applicable to various provider types. This article reviews the projects that are focused on hospitals, which includes long-term care hospitals (LTCH) and inpatient rehabilitation facilities (IRF).

The Work Plan divides the hospital projects into three categories: Policies and Practices; Billing and Payments; and Quality of Care and Safety. Before highlighting some of the twenty projects in those categories, we will review the two new hospital projects added to the Work Plan this year.

#### **New Hospital Projects**

The 2015 Work Plan included only two new projects for hospitals. The first new project is a review of wage data used to calculate wage indexes for Medicare payments. Historically, the OIG has identified "hundreds of millions of dollars" in incorrectly reported wage data. This project may be related to an ongoing project from previous Work Plans, which is an analysis of salaries included in hospital cost reports as the OIG contemplates establishing a compensation cap. The OIG did not expressly identify that overpayments would be sought as a result of this review.

The second new project is a review of the national incidence rate of adverse events and temporary harm events in LTCHs. The OIG will look for the factors that contribute to such events, and will consider the extent to which the events were preventable. Additionally, the OIG will estimate the cost to Medicare of the events. This new project appears to be an expansion of an ongoing project in which the OIG is reviewing the same items for IRFs. There was no indication that OIG would be seeking overpayments related to these adverse and harm events.

#### **Policies and Practices**

The OIG includes seven projects in the category of Policies and Practices. All of these projects are ongoing and have been in previous Work Plans.

The OIG continues to focus on the "two-midnight rule" in the Work Plan. The project includes reviewing how inpatient and outpatient billing varied among hospitals, with a particular focus on inpatient stays that should have instead been billed as outpatient services because the beneficiary's care lasted less than two nights.

The OIG also includes two projects which are focused on provider-based issues. The OIG will be determining the extent to which certain facilities actually meet the Centers for Medicare & Medicaid's (CMS) criteria for provider-based status. Further, the OIG will review and compare Medicare payments for physician office visits that are conducted in provider-based clinics and free-

standing clinics in an effort to determine if a reimbursement differential is warranted. The provider-based projects are a result of a 2011 Medicare Payment Advisory Committee report that focused on the financial incentives related to provider-based status. OIG and CMS may be seeking ways to reduce that incentive.

The remaining projects in this category include a reconciliation of outlier payments, a review of costs associated with defective medical devices, and a review of payment for swing-bed services.

## **Billing and Payments**

There are nine projects in the category of Billing and Payments that are held-over from previous Work Plans. Two of the projects focus on payments to teaching hospitals for education programs. The OIG will review provider data from CMS's Intern and Resident Information System in an effort to determine whether duplicative or excessive payments were issued for graduate medical education (GME) programs. The OIG is particularly concerned with the scenario where an intern or resident is inappropriately counted as more than one full-time-equivalent employee. Further, the OIG will review data to determine whether indirect medical education (IME) costs are calculated properly to ensure that any additional reimbursement (IME adjustments) is appropriate.

The OIG is also reviewing outpatient evaluation and management (E/M) services billed at the new-patient rate. Medicare's reimbursement for E/M services rendered for new patients are higher, because, among other reasons, a new patient generally requires more extensive history-gathering and visit time. In the hospital setting, Medicare policy divides new patients from established patients based on whether the patient was registered as an inpatient or outpatient in the three years prior to the rendering of the relevant E/M service. The OIG expressly plans to seek overpayments as a result of this review.

The remaining projects in the Billing and Payments category include a review of inpatient claims for mechanical ventilation services, a generalized review of compliance with inpatient and outpatient billing requirements, a review of outpatient dental services, and reviews of payments for cardiac catheterizations and endomyocardial biopsies, services related to a kwashiorkor diagnosis, and bone marrow or stem cell transplants.

## **Quality of Care and Safety**

Finally, there are four projects in the category of Quality of Care and Safety that were in the previous Work Plan. In addition to the existing project focusing on adverse events in the IRF setting, the OIG is reviewing hospital participation in initiatives of Quality Improvement Organizations (QIO) to determine the effectiveness and efficiency of QIOs. OIG is also considering whether Medicare should increase oversight of Medicare-participating hospitals that are compounding pharmaceuticals onsite; such oversight is obviously related to the 2012 meningitis outbreak that was linked to contamination caused by lax practices at a compounding pharmacy. Finally, OIG will be conducting a general review of hospital medical staff privileging procedures to determine if they are robust enough to ensure the provision of safe and high quality services.

Our series of articles on the 2015 OIG Work Plan will continue in two weeks with a review of the Work Plan components applicable specifically to nursing homes, as well as a look at the Work Plan components focusing on provider enrollment issues. Stay tuned!

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