



## Client Alert

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### **AGG Convinces CMS That Fiscal Intermediaries Must Adjust Handling of Hospital Inpatient Transfer DRGs**

Arnall Golden Gregory was instrumental in efforts to resolve the manner in which numerous Medicare fiscal intermediaries have improperly responded to attempts by hospitals to adjust erroneous MS-DRGs (medical severity diagnostic related group codes) related to inpatient transfers for post-acute care. The Medicare transfer payment rule, which has been in place since 1999, reduces the reimbursement due to a discharging hospital when the patient is transferred to a post-acute setting with one of 273 MS-DRGs where the patient's length of stay is more than 1 day less than the geometric length of stay for that DRG.

In 2004, CMS implemented edits that caught claim errors where the discharging hospital had coded that the patient was discharged home when, in fact, the patient had been transferred to a post-acute provider. These edits detected hundreds of millions of dollars of overpayments being made to hospitals. Nevertheless, approximately 1% to 3% of Medicare inpatient discharges involving transfers to a post-acute provider result in underpayments to the discharging hospital.

A hospital has a set period of time post-discharge to submit an initial claim to CMS. This is referred to as the timely filing period. The hospital usually has the same amount of time in which to submit adjustment claims. In certain cases, however, CMS's regulations allow for exceptions and permit the submission of adjustment claims up to 4 years after the date of the initial claim determination. Fiscal intermediaries have been inconsistent in their approach to this four-year "look back" period with respect to attempts to revise transfer DRGs.

AGG client MCare Solutions, Inc. ("MCare"), a Houston-based firm that specializes in the recovery of Medicare underpayments for hospitals, assists hospitals in identifying patients who had a physician order for post-acute care (resulting in a qualifying transfer DRG), but never received the ordered care. In such situations, the transfer DRG is erroneous, resulting in an underpayment to the hospital. MCare submits adjustment claims on behalf of its hospital clients, seeking to recoup these identified underpayments.

In 2007, MCare hired AGG to address the issue of adjustment claims that were improperly being denied on the grounds that the claims were filed outside of the timely filing period for initial claims. AGG argued, based upon a creative interpretation of CMS's Medicare Claims Processing Manual and Medicare



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regulations, that the adjustment claims were timely within the four year look back period. AGG was ultimately able to convince CMS at the national level that the fiscal intermediaries were not properly following the regulations and manual provisions and is now working with the intermediaries to revise their procedures to allow these adjustment claims.

### **About Mcare Solutions, Inc. [www.mcare-solutions.com](http://www.mcare-solutions.com)**

*MCare was founded in 2005 as the first provider of transfer DRG reimbursement recovery services for acute care providers. MCare services allow hospitals to realize transfer DRG reimbursements to which they are entitled. To date, MCare has reviewed and analyzed millions of discharges and is responsible for more than \$65 million in reimbursements to client hospitals.*

*The initial focus has since expanded to include acute care discharges related to Medicare Advantage payers, Medicare Inpatient Rehab, TriCare and Medicare Advantage IME/GME reimbursement. MCare now represents more than 300 for-profit and not-for-profit hospitals from Alaska to Florida, including individual community hospitals that range in size from <100 to 1,000-plus beds and regional and national healthcare systems.*

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