

## 2001-2002 Awards

Awards were distributed at our last member meeting on Wednesday, March 20, 2002. The awards were presented at the member meeting, which began at 8:30 a.m. at the DoubleTree Hotel in Novi. Prior to the member meeting there was a special breakfast for award recipients and board of directors. A listing of the award recipients can be found on Page 2. Thank you for your contributions to our Chapter, your dedication in the healthcare accounting field, and to the future of our organization

The remainder of the meeting included a presentation on "HIPAA: It's Not Going Away!" with speaker Linda S. Ross, J.D., Partner in the Health Care Department at Honigman Miller Schwartz and Cohn LLP. Following Linda Ross' presentation the Insurance & Reimbursement committee presented the 2002 Insurance & Reimbursement Update.

Congratulations to all award recipients! Thank you for all your hard work and effort

## Election Results FY 2002-2003

The election results were also announced at the March 20 Member meeting and are as follows:

President:	Diane Justewicz
Vice-President	Sue Carter
Secretary/Treasurer	Jeff Ewald

Newly Elected Board Members:

Tammy Chinavare  
Linda Height  
Frank Gless

Continuing Board Members:

Jim Birchler	Sara McGlynn
Dave Kulek	Darlene Mitchell
Cindy Long	Mary Whitbred



# Congratulations Award Recipients

MA-EMC FY2002 Awards

## **Certification:**

Sara McGlynn  
Brenda Perry

## **Chapter Awards:**

Thomas F. McNulty Achievement Award Joe Scallen  
Lawrence C. Redouty Award Steve Collard  
Outstanding Committee Chair Sara McGlynn  
New Member of the Year Sheila Pierson

## **Founders Award:**

### **Medal of Honor:** (Conferred by Nomination of the Board)

Cynthia Clemence  
Deborah Wiley-Crossen

### **Muncie Gold:** (300 Founders Merit Award Points)

Ronald Berglund  
David Cavell  
Diane Justewicz  
Kenneth Lipan  
Micheal Marulli  
David Zilli

### **Reeves Silver:** (200 Founders Merit Award Points)

Stephen Collard  
Chris Goike  
Linda Height  
Cynthia Long  
Mark McEmber  
Allen Tucker  
Maryanne Van Haitisma

### **Follmer Bronze:** (100 Founders Merit Award Points)

Stephanie Anders  
Mary Buzas  
Cheryl Comeau  
Suzana Dimic  
Scott Flowerday  
Michael Grisdela  
Susan Kluge  
Barbara Kootsillas  
Darlene Mitchell  
Richard Nowakowski  
Michael Pelc  
Mark Rossman  
Mitchell Vecchioni

## MEMBER MEETING ANNOUNCEMENT-May 21, 2002

The Physician Practice Committee of HFMA-Eastern Michigan Chapter would like to invite you to the next member meeting at Providence Hospital in the Hospital Auditorium on Tuesday, May 21, 2002. Topic - Hospital Ownership of Physician Practices - Improving Financial Performance. The speakers David and Marianne Speicher, draw on their consulting experiences with physician group practices nationally to address specific problems and solutions in claims and receivables management. A Continental Breakfast will be served. Please feel free to bring a colleague and introduce them to HFMA. It promises to be a wonderful morning of networking and education. Attached is a file of the member meeting announcement with more detailed information. Please pass it to other colleagues who might be interested.

You may register TODAY on the chapter web site at <http://www.hfma-emc.org> . The cost is \$30 for HFMA members and \$40 for guests if you sign up on or before May 14, 2002.

The Agenda is as follows:

7:30 - 8:30 AM HFMA Board Meeting  
8:00 - 8:30 Registration/Continental Breakfast  
8:30 - 9:00 Member Meeting-Awards/Installation of Officers  
9:00 - 10:30 Workshop Part I  
10:30 - 10:45 Break  
10:45 - 12:00 Workshop Part II  
12:00 PM Adjournment

### HFMA - Golf Outing Information - Brochure will be coming by Mail.

Date: June 13, 2002 - 18 holes with cart  
Place: Shenandoah County Club in West Bloomfield

#### **Agenda**

9:00 AM Continental Breakfast  
9:30 Shotgun Start  
10:00 AM - 7PM Open Bar  
Lunch at the turn  
5:00 PM New York Strip or Whitefish Dinner  
Entertainment (Comedian) after Dinner

Hole-in-one and other contests.

Complete Package \$145 per person. So get your foursome together today!  
Send check payable to HFMA with foursome names and dinner preference to : Tammy Chinavare, Trinity Continuing Care, 34605 Twelve Mile Rd., P.O. Box 9185, Farmington Hills, MI 48333-9185

## TWO OIG AUDITS IDENTIFY COMPLIANCE TARGETS

Maria B. Abrahamsen

### *OIG Zeros in on Bad Debt Claims*

The HHS Office of Inspector General (OIG) recently published the results of its review of Medicare reimbursement of bad debts claimed by the University of Alabama at Birmingham Hospital (UAB Hospital). The OIG concluded that only \$1,775,045 of the \$7,203,293 claimed as bad debt by the Hospital was allowable, based on an audit of a sample of the Hospital's bad debt claims. The OIG announced in its report, "The audit of UAB Hospital is the first of a series of audits of bad debts claimed by various hospitals located throughout the country."

What caused the OIG to focus on UAB Hospital? Its Medicare bad debt claim was the largest in the country for the year in question and was more than seven times greater than its average total bad debt claim in recent prior years. UAB Hospital's problems stemmed, to a significant extent, from having included in its cost report bad debt claims attributable to patients treated during the previous five years who had been eligible for both Medicare and Medicaid. The Hospital had not verified whether any portion of the Medicare copayment and deductible with respect to these patients had in fact been paid, but rather had claimed the full patient-pay portion as a bad debt.

#### **The principal factors that caused the OIG to disallow bad debts in this case were:**

- The greatest number of claims were disallowed because they were not supported by adequate documentation (i.e. Medicaid remittance, Medicare remittance and/or patient accounts receivable records were missing).
- Many claims had not been written off the Hospital's books, but rather were only "suspended," and therefore were still receivables and not fairly claimed as bad debt.
- The Hospital had failed to reduce the amounts claimed as bad debts by payments received from patients, Medicaid or other sources.
- Some accounts had been claimed as bad debt on prior cost reports.
- The Hospital failed to account for ESRD bad debt separately from inpatient bad debt, as required by Medicare.

The OIG concluded that the Hospital's problems were attributable, in part, to the lack of sufficient financial data in its patient accounts receivable system to accumulate Medicare bad debt into appropriate categories (e.g. uncollectible by the Hospital, non-payment by Medicaid, and uncollectible by a collection agency). The manual methods the Hospital was forced to rely upon were inadequate.

While certain unusual factors caused the OIG to focus on the UAB Hospital, it is likely that additional hospitals with high levels of bad debt claims will be audited. Furthermore, this is a subject ripe for enforcement under the federal False Claims Act by government and/or whistleblower actions. Like the Medicare "72-hour bundling rule," Medicare's bad debt rules are relatively clear, but errors are inevitable given the large number of individual transactions involved and the detailed information needed to calculate bad debt accurately. Such errors could be characterized as submission of claims in "reckless disregard" of their accuracy, a violation of the federal False Claims Act for which substantial penalties can be imposed.

*continued*

## Observation Beds: Potential Compliance Problems

The Medicare program continues to struggle with the issue of appropriate reimbursement for hospital observation services. Prior to implementation of the outpatient prospective payment system (OPPS) in August 2000, Medicare paid for covered observation services in the same manner as for most other outpatient services, i.e. based on the hospital's reasonable costs. OPPS eliminated separate payment for observation services and bundled observation costs and payments into the APCs for emergency room and clinic visits and outpatient surgery. In response to industry comments, the OPPS regs were revised, and effective January 1, 2002, payment is available under new APC 0339 for observation services for asthma, chest pain and congestive heart failure, provided certain criteria are met. The billing of observation services poses compliance problems because (1) CMS perceives that there has been substantial misuse of the observation benefit prior to OPPS, (2) the changes in OPPS treatment of observation services has caused confusion, and (3) United Government Services (UGS), the fiscal intermediary whose jurisdiction includes Michigan hospitals, has adopted some unusual positions regarding the appropriate use of observation facilities.

### OIG Study Identifies Errors in Observation Billing

Last month the OIG published the results of its audit of observation claims submitted by St. Francis Hospital of Tulsa, Oklahoma during the four-year period ending June 30, 2000. (St. Francis was selected because it was one of the two Oklahoma hospitals with significantly higher than usual observation costs and consistently high observation charges throughout the four-year period subject to audit.) The audit concluded that 80 percent of the observation services billed by St. Francis did not satisfy Medicare criteria. The principal areas of identified non-compliance were:

Half of the audited records contained a standing order for observation, often for observation following an outpatient procedure. The *Medicare Hospital Manual* and *Intermediary Manual* expressly exclude coverage for observation services that result from a standing order for observation following outpatient surgery.

Another 39% of audited records contained no physician order for observation, although the Manuals referred to above expressly require such an order.

The remaining claims were disallowed because the patient was admitted to observation following an outpatient surgery or procedure but there was no evidence of a complication that would warrant separately billable observation services, or the attending physician ordered an inpatient admission which was billed as outpatient observation.

In a majority of cases, the Hospital also was found to have billed the wrong number of hours of observation services.

The OIG recommended, and the fiscal intermediary agreed, that the fiscal intermediary would collect from St. Francis the overpayment received with respect to 1997-2000, instruct the Hospital to develop policies and controls to solve its observation billing deficiencies, and review a sample of subsequent observation claims to determine if claims were being accurately filed.

*continued*

## **UGS Observation Denials**

UGS has aggressively denied claims for observation services on the ground the patient should have been admitted as an inpatient, even if the patient did not satisfy InterQual's Intensity of Service/Severity of Illness criteria for an inpatient stay. In an article published in the May 2000 issue of UGS' *Medicare Memo*, UGS stated its belief that "patients who present with chest pain, and about whom the physician feels concerned enough to require the use of a 'rule out myocardial infarction' protocol (i.e. serial cardiac enzymes, serial electrocardiograms and continuous telemetry monitoring), are considered by this Intermediary to be appropriate for inpatient admission." The same article identified "patients with central nervous system insults" as appropriate for inpatient admission. Ironically, the types of chest pain cases which the UGS article says should be hospitalized are the very type of cases for which CMS created a new observation APC effective January 1, 2002. Michigan hospitals are successfully challenging UGS' interpretation of the appropriate use of observation beds in appeals of these denials.

## **Billing Observation Services Under OPSS**

The initial OPSS regulations and instructions advised hospitals to continue to bill observation services, but noted that observation charges were rolled into the APCs for the emergency room visits and outpatient procedures to which observation typically relates.

As a result of revised regulations, Medicare will pay under APC 0339 for observation services furnished on and after 1/1/02 to certain chest pain, asthma and congestive heart failure cases. However, payment is subject to the following requirements:

One of the CMS-specified ICD-9-CM diagnoses codes accurately describes the patient's diagnosis. For each of the acceptable diagnoses, the patient chart must show that specified diagnostic tests were performed, and such tests must be billed on the same claim as the observation services.

The observation service is covered only if provided and billed in conjunction with an emergency department or clinic visit (post-surgery services and "direct admits" to observation do not qualify).

Observation services are paid on an hourly basis. Services that last less than 8 hours or more than 48 hours will not be covered, however all hours in excess of 24 will be packaged into the APC and not paid for separately.

The beneficiary must be under the care of a physician while in observation and the physician must write and sign key notes in the patient's chart.

The record must document the physician's use of internal or external "risk stratification criteria" (e.g. InterQual IS/SI criteria) to determine that the beneficiary would benefit from observation services.

Billable observation begins at the time appearing in the nurses' observation admission note, and ends at the documented time of the physician's discharge order.

Clearly, the OPSS requirements for coverage of observation services contain multiple components (including correct diagnosis coding). This creates a classic case in which it is easy to overlook the absence of one of the elements required to bill. Submission of observation bills that do not comply with *all* of the applicable requirements could lead to an allegation that the hospital acted in "reckless disregard" of the accuracy of its claim - - a violation of the Federal False Claims Act. It will be essential that hospitals inform those members of their medical staffs who make frequent use of observation services of the types of documentation and diagnostic tests required in order to qualify for separate OPSS observation payment.

**HFMA Eastern Michigan Chapter Committees  
FY 2001-2002**

**HFMA Officers FY 2001-2002**

<b>Michael Tomkovich, President</b>	<b>(248)489-6058</b>	<b>tomkovim@trinity-health.org</b>
<b>Diane Justewicz – Vice-President</b>	<b>(810)753-0307</b>	<b>Diane.Justewicz@stjohn.org</b>
<b>Sue Carter – Treasurer</b>	<b>(248)849-2738</b>	<b>scarter1@providence-hospital.org</b>
<b>David Zilli – Past President</b>	<b>(313)343-1503</b>	<b>david_zilli@bshsi.com</b>

<b>Committee</b>	<b>Chairperson (s)</b>	<b>Phone#</b>	<b>E-Mail Addresses</b>
Awards/Founders Merit	Bill Lubaway	(248) 347-1416	<a href="mailto:bill_lubaway@voyager.net">bill_lubaway@voyager.net</a>
Awards/Founders Merit	Barbara Kootsillas	(248) 489-6706	<a href="mailto:KootsilB@trinity-health.org">KootsilB@trinity-health.org</a>
Benchmarking/Decision Support	Sara McGlynn	(248) 551-9376	<a href="mailto:smcglynn@smtpgw.beaumont.edu">smcglynn@smtpgw.beaumont.edu</a>
Certification/Financial Mgt. Course	Frank Gless	(313) 396-5847	<a href="mailto:Fgless@deloitte.com">Fgless@deloitte.com</a>
Compliance/HealthLaw	Dave Franklin	(810) 498-4950	<a href="mailto:david_franklin@bshsi.com">david_franklin@bshsi.com</a>
Chapter Audit	David Nathan, E&Y	(313) 596-7100	<a href="mailto:david.nathan@ey.com">david.nathan@ey.com</a>
Education Council	Susan Stokes	(586) 786-9532	<a href="mailto:susan-stokes@hfma-emc.org">susan-stokes@hfma-emc.org</a>
Elections	David Zilli	(313) 343-1503	<a href="mailto:david_zilli@bshsi.com">david_zilli@bshsi.com</a>
Fall Conference	Robert Dery	(248) 223-3223	<a href="mailto:deryb@plante-moran.com">deryb@plante-moran.com</a>
Historian/Retired members			
Davis Mgt. System/Information Systems	Susan Stokes	(586) 786-9532	<a href="mailto:susan-stokes@hfma-emc.org">susan-stokes@hfma-emc.org</a>
Insurance & Reimbursement	Sue Carter	(248) 849-2738	<a href="mailto:scarter1@providence-hospital.org">scarter1@providence-hospital.org</a>
Insurance & Reimbursement	Marge Korczyk	(313) 396-3559	<a href="mailto:Mkorczyk@dtus.com">Mkorczyk@dtus.com</a>
Internal Audit	Pete Stewart	(248) 637-5374	<a href="mailto:Pstewart@hapcorp.org">Pstewart@hapcorp.org</a>
MACPA/HFMA	Jeff Ewald	(810) 753-0323	<a href="mailto:jeffrey.ewald@stjohn.org">jeffrey.ewald@stjohn.org</a>
Managed Care	Keith Carter	(313) 225-0896	<a href="mailto:kcarter@bcbsm.com">kcarter@bcbsm.com</a>
Member Meetings	Sheila Pierson	(248) 849-5824	<a href="mailto:spierson@providence-hospital.org">spierson@providence-hospital.org</a>
Membership/Member Involvement	Tony Gaglio	(313) 882-7100	<a href="mailto:gags500@yahoo.com">gags500@yahoo.com</a>
New Member Orientation	Marina Houghton	(313) 882-7100	<a href="mailto:mariahoughton@wolinski.com">mariahoughton@wolinski.com</a>
Membership Service Plan	Linda Height	(313) 640-2408	<a href="mailto:linda_height@bshsi.com">linda_height@bshsi.com</a>
Membership Survey	Diane Justewicz	(810) 753-0307	<a href="mailto:diane.justewicz@stjohn.org">diane.justewicz@stjohn.org</a>
Newsletter	Maryanne Van Haitisma	(248) 549-2703	<a href="mailto:mvanhait@dmc.org">mvanhait@dmc.org</a>
Nominations	David Zilli	(313) 343-1503	<a href="mailto:david_zilli@bshsi.com">david_zilli@bshsi.com</a>
Patient Accounting	Cathy Brunkey	(586) 466-9812	<a href="mailto:brunkeyc@trinity-health.org">brunkeyc@trinity-health.org</a>
Physician Practice	Jeff Ewald	(810) 753-0323	<a href="mailto:jeffrey.ewald@stjohn.org">jeffrey.ewald@stjohn.org</a>
Placement/Professional Development	Bob Lauer	(248) 858-6156	<a href="mailto:lauerr@trinity-health.org">lauerr@trinity-health.org</a>
ProAction	Mary Ann Bayer	(248) 661-2460	<a href="mailto:mgb@twmi.rr.com">mgb@twmi.rr.com</a>
Social Activities	Tammy Chinavare	(248) 305-7857	<a href="mailto:chinavat@trinity-health.org">chinavat@trinity-health.org</a>
Social Activities	James J. Kopp	(248) 641-1440	<a href="mailto:ocs4pymt@aol.com">ocs4pymt@aol.com</a>

**Newsletter Submission Dates :**

Maryanne VanHaitisma, Editor:  
Phone: (248)549-2703  
E-Mail: [mvanhait@dmc.org](mailto:mvanhait@dmc.org)

May 2002 Newsletter – Monday April 29, 2002

## Calendar of Events – HFMA

### The Insurance and Reimbursement Committee of the Eastern Michigan Chapter Presents:

HFMA-EMC Seminar-- Review of PRRB's Mediation Process and newly revised PRRB

Instructions

Date: April 22, 2002

Time: 8:30AM - 10:30AM

Speaker: Kathleen Scully-Hayes, Esq., Director of Provider Reimbursement

Facilitator: Ken Marcus

Place: Providence Hospital - Park in the paid parking off of Providence Drive. It is NOT the main entrance of the hospital, but at the professional building. Tell the parking attendant you are here for the HFMA seminar and the parking will be free.

Cost: \$10 per person - checks payable to HFMA or cash will be accepted at the door.

Register with Sue Stokes (<mailto:susan-stokes@hfma-emc.org>)

Registration is limited to the first 100 people.

### APRIL

- 4-19-02 Benchmarking/Decision Support Committee Meeting ( Providence Hospital; 9AM)
- 4-22-02 Insurance & Reimb. Committee Meeting (Providence Hospital ; 8:30AM)  
Speaker: Kathleen Scully-Hayes, Esq., Director of Provider Reimbursement from PRRB
- 4-25-02 Physician Practice Committee Meeting (St. John, 28000 Dequindre; 9AM)
- 4-26-02 HFMA Recognition Lunch (O'Grady's-Troy)
- 4-29-02 HealthCents material submission deadline
- 4-30-02 HFMA/MACPA HealthCare Conference to register

### MAY

- 5-21-02 Member Meeting presented by Physician Practice (Providence;8AM)
- 5-23-02 Physician Practice Committee Meeting (St. John, 28000 Dequindre; 9AM)
- 5-23-02 Insurance & Reimb. Committee Meeting (Riverside Building; 8:30AM)
- 5-24-02 Benchmarking/Decision Support Committee Meeting ( Riverside Building; 9AM)

### JUNE

- 6-13-02 Annual Golf Outing (Shenandoah County Club in West Bloomfield)
- 6-21-02 Benchmarking/Decision Support Committee Meeting ( Riverside Building; 9AM)
- 6-25-02 Managed Care Committee Meeting (Riverside Building; 8:30AM)
- 6-27-02 Physician Practice Committee Meeting (St. John, 28000 Dequindre; 9AM)
- 6-27-02 Insurance & Reimb. Committee Meeting (Riverside Building; 8:30AM)

Dates subject to change if necessary.