

THE INVESTIGATOR

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HEALTHCARE FRAUD CLIMATE

As you may have seen in recent news, several reports have surfaced concerning fraud, waste and lack of Medicaid/Medicare compliance in the US.

These stories range from major health plans agreeing to pay millions to avoid prosecution and the American Medical Association stat-

- A major health plan in the South was sanctioned for \$80 million due to fraudulent expenditure information
- Another major health plan was charged \$225 million to resolve claims after it fraudulently refused to enroll pregnant women and other high-risk patients
- Seven hospitals in the Northeast

THE LACK OF EFFICIENCY IN CLAIMS PROCESSING ADDS UP TO \$210 BILLION ANNUALLY

- AMERICAN MEDICAL ASSOCIATION

ing that lack of efficiency in claims processing adds up to \$210 billion annually, to the White House allotting \$1.7 billion over the next 10 years to help account for dollars lost due to improper billing or fraud. These situations highlight the difficult task that healthcare organizations face sifting through claims data and identifying fraud, waste and compliance risks.

Issues health plans and hospitals had to address over the last year include:

were accused of \$50 million of Medicaid fraud

Not only do these situations make health plans and hospitals aware of the consequences of committing fraud, but it also keeps them on guard for other types of fraud, waste, abuse and errors.

The Obama administration is taking an active role in combating healthcare fraud. The White

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UPCOMING EVENTS

NAMPI CONFERENCE
PORTLAND, MAINE
AUGUST 30 - SEPTEMBER 2

2009 MEDICARE & MEDICAID CONFERENCE
WASHINGTON, D.C.
SEPTEMBER 13-17

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House is demanding system-wide improvements in cost and efficiency within the healthcare system, along with reforms lowering expenses within the Medicare and Medicaid arena. According to President Obama, fraud is an integral part in the healthcare crisis and this issue needs to be addressed.¹

According to HHS Secretary Kathleen Sebelius, “We estimate that for every \$1 we spend to stop fraud in the system, we save \$1.55.” She went on to say, “The president’s budget lays out funding for anti-fraud efforts over five years that we estimate could save \$2.7 billion by improving overall oversight and stopping fraud and abuse within the Medicare Advantage and Medicare prescription drug programs.”

According to another report, the White House has allotted \$1.7 billion over the next 10 years in discretionary spending to monitor the amount of money wasted within the program due to fraud or errors. White House Budget Chief, Peter Orszag, referred to healthcare spending as the economy’s largest hindrance and recommended that healthcare reform this year should not only focus on lowering costs for the government, but should focus on lowering individual costs for families as well.


In a November 2008 article, “The Claims Scrubbers,”² featured in *Government Health*, the American Medical Association revealed approximately \$210 billion per year is wasted due to inefficient healthcare claims processing. Incorrect data due to human

error has caused major problems in claims processing. These errors can result in denied claims or reimbursements that are much lower than the rates determined by a patient’s coverage.

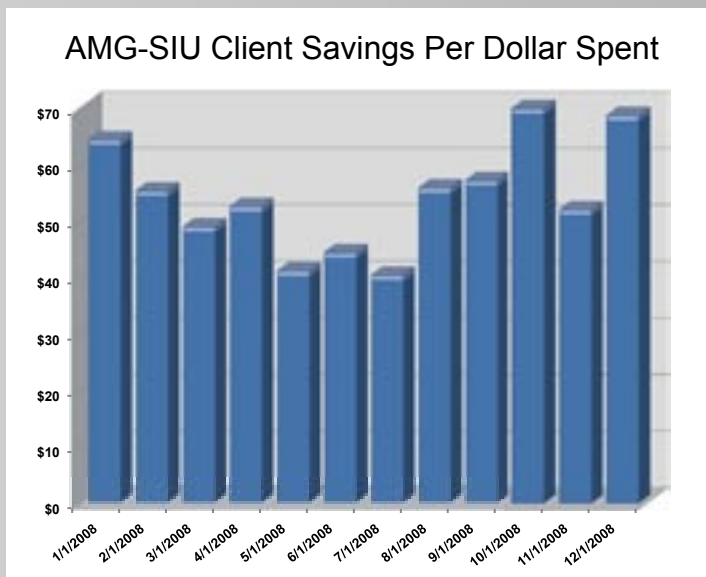
Within the article, Sean Benson, co-founder and vice president of consulting at ProVation Medical states, “At best, rejected bills [due to coding errors] require costly handling before re-submission. At worst, they can lead to permanent loss of revenue and steep fines for overbilling.” Benson goes on to say permanent loss of rev-

PERMANENT LOSS OF REVENUE AND FINES ARE BECOMING MORE COMMON AS AUDITS BECOME MORE PREVALENT

enue and fines are becoming more common as RAC audits from CMS and audits by the HHS are becoming more prevalent. According to the article, every system that is used to process medical data will need to be adapted and changed to reflect the need for better procedures in processing claims. This is not new information, but it does reiterate the need for change in this climate of lost dollars and inefficient billing practices.

The calls for reform among politicians and news reports over the last several months make it clear that there is a problem and specific implementations need to take effect before this problem becomes even worse. The current climate demonstrates the necessity of having an effective fraud, waste and abuse prevention program in place, both as a safeguard against government sanctions and penalties as well as a solution to the problem facing health organizations across the U.S.; lost revenue. 

¹ “White House Budget Aims to Bolster Fraud Control,” Matthew DoBias. *ModernHealthcare.com*. May 7, 2009.
² “The Claims Scrubbers,” John Pulley. *Government Health*. November, 2008.



Client Savings: The graph above illustrates the global view of the returns AMG-SIU is providing its customers. For every \$1 spent, clients save between \$40 - \$68.

FROM THE INVESTIGATOR: LAB UNBUNDLING

AMG-SIU's Investigators encounter a multitude of schemes designed to circumvent regulations daily. Because it is difficult for anyone but a SIU (Special Investigations Unit) to keep abreast of these scams, *The Investigator* will feature a few of the common schemes AMG-SIU's Investigators are combating in the healthcare marketplace.


Lab Panel: Unbundling

Lab Panels – a series of lab tests that are bundled together for a single fee, attract several variations of potential fraud. One of the most common forms of lab panel fraud is unbundling a lab panel and charging for each test individually, so the lab or hospital receives a higher payment.

However, this form of potential fraud can easily be detected, so schemers are finding other ways to circumvent standard editing solutions. Instead of unbundling a lab panel and charging for each test individually, schemers are individually charging for all but one test, or all but two or three tests. By doing this, the payment amount is still higher than it would be for the lab bundle but it's much harder for standard editing systems to detect.

One of the most flagrant uses of this type of ploy involved a hospital that created their own standard lab panels. The hospital provided physicians with a sheet to order lab panels and while using the standard names,

these lab panels would include all but one, two or three of the tests. Thus, the hospital would be able to charge for each test individually.

AMG-SIU's ACE system identifies these types of schemes, but right now Federal and State law does not protect payors from paying the higher amount. Payors can protect themselves by closing loopholes in their contracts. Contracts with labs and hospitals should clearly state that the payor will pay the lab panel fee or the sum of individual lab tests that are part of the lab bundle, whichever is less. 

PROVIDER EDUCATION: GLOBAL SURGICAL PACKAGE

One of the most frequent forms of potential fraud, waste and abuse that AMG-SIU identifies, is the Global Surgical Package.

According to CMS §40 - §40.4, Medicare pays a pre-set amount for a surgery and related surgery services. Related services that can be included in the surgery fee are pre-op, post-op, follow-up visits, along with post-surgical pain management and supplies, such as surgery dressings. The AMG-SIU ACE system can receive claims in any order to determine if it's part of the Global Surgical Package.

AMG-SIU finds that some providers submit a separate claim for office visits, particularly pre-op and post-op visits when those visits are covered within Global Days. This is in direct conflict with CMS guidelines. AMG-SIU uses CMS, State-specific

and plan guidelines, as appropriate to determine Global Surgical Days.

Global Days – Major Surgery


CMS considers the Global Day period to be one day before surgery and 90 days after major surgery. However, if the initial decision to perform the major surgery occurs during an E&M service (i.e. Office visit), it is considered a separate visit and is billed separately.

Global Days – Minor Surgery

For minor surgeries, the Global Day period is the day of surgery and typically 10 days after surgery. Any visits that are directly related to the surgery within the Global Days are included in the Global Surgical Package.



Note: Staged surgical procedures follow the same guidelines even if a bill is split into several claim submissions. Contractors are restricted by CMS to pay no more than the total global surgical fee. Also, all complications that result from the surgery are included in the total global surgical fee unless the treatment requires a return trip to the operating room.

AMG-SIU's Automated Claim Evaluator (ACE) system pulls and compares information from multiple claims to determine if a visit is part of the Global Surgical Package in accordance with CMS guidelines. Review claim submissions to ensure items that are included in the Global Surgical Period are not billed separately, as they will most likely be denied. 

WHAT'S NEW AT AMG-SIU: AUDITS, TRAINING AND CONFERENCES

The first half of 2009 has proven to be extremely busy for AMG-SIU, providing audit support for our clients, attending conferences and offering provider trainings, over and above the “day to day” client services. Over the last quarter, the Texas Office of the Inspector General (OIG) has conducted audits to determine MCO compliance levels within the fraud, waste and abuse guidelines and regulations. AMG-SIU has been consulting and attending these audits alongside its clients with great results.

No client who has been audited or investigated by the OIG, AG or any regulatory agency, under the scope of AMG-SIU's services, has ever been sanctioned or had any findings whatsoever. Not only are our clients in compliance and safe from audits, but on average, we are putting 10.6% in gross claims dollars back to their bottom line.

In April, AMG-SIU attended the Health Care Compliance Association (HCCA) Compliance Institute convention in Las Vegas, NV from April 26-29th. The conference reinforced AMG-SIU's findings; that companies are badly in need of a fraud, waste and abuse detection

solution but are looking for a comprehensive system. It seems that most companies are looking for a solution not only for Medicaid and Medicare compliance but also to immediately address their concerns as they relate to Recovery

Audit Contractor (RAC) and Medicaid Integrity Group (MIG) audits. AMG-SIU offers services in both arenas. Whether assisting with compliance plan creation, reviews and claims editing, auditing or investigations, AMG-SIU offers clients a unique solution that identifies the root of wasteful spending and prevents it from occurring.

The company has also begun offering a new consulting service to its clients, Provider Training. When one



of AMG-SIU's clients expressed the need to train its providers, the company decided to offer full training on how to avoid fraud, waste and abuse while providing some quick tips on how to bill accurately. AMG-SIU created a custom provider training program for more than 200 providers with a short on-site course at the clients' headquarters and created a handout for providers to reference as claims are submitted. The feedback and questions from the providers will now generate articles in the provider education section of the newsletter.

Aside from attending conferences and trainings, AMG-SIU has been busy planning the quarterly newsletter. Clients can read up on the most up-to-date AMG-SIU news and even access the articles to use in their own literature as long as AMG-SIU is referenced and permission is granted.

AMG-SIU generates a newsletter each quarter with updates on the company happenings, updated offerings, new business developments and any other information that might be of interest. Please feel free to contact AMG-SIU with any ideas or requests if you feel there is a topic of interest you'd like to know more about. (Marketing@amgsiu.com)

**NO AMG-SIU
CLIENT HAS EVER
BEEN SANCTIONED
UNDER THE SCOPE OF
AMG-SIU'S SERVICES**

As a final note, please be aware that all company email addresses have been changed. Email addresses formerly ending in “amg-co.com” have been changed to “amgsiu.com”. Please take note and remember to save the new addresses to your contact list so the former addresses do not automatically populate.

As AMG-SIU moves on to the next quarter, we look forward to a summer full of conferences, newsletters, press releases and new business. 📣