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PEPPER is back: Using Medicare data reports for auditing and monitoring

By Kimberly Hrehor, MHA, RHIA, FACHE, CHC; Dan McCullough, RN, CHC; and Gregory Walker

Editor’s note: Kimberly Hrehor is a Project Director at TMF Health Quality Institute in Austin, Texas. Kimberly may be contacted by telephone at 281/859-0331 or by e-mail at khrehor@txqio.sdps.org.

Dan McCullough is a Program Specialist at TMF Health Quality Institute. Dan may be contacted by telephone at 512/334-1639 or by e-mail at dmccullough@txqio.sdps.org.

Gregory Walker is a Senior Communications Specialist at TMF Health Quality Institute. He may be contacted by telephone at 512/334-1710 or by e-mail at greg.walker@tmf.org.

PEPPER was previously distributed to hospitals by state Medicare Quality Improvement Organizations (QIOs) in support of the now-defunct Hospital Payment Monitoring Program. QIOs will no longer be involved in providing these reports. PEPPER is now distributed to hospitals nationwide by TMF Health Quality Institute under contract with CMS.

Each PEPPER contains one hospital’s Medicare claims data statistics for the most recent twelve federal fiscal quarters for the risk areas, referred to in the report as “target areas.” The data are presented in tabular form, as well as in graphs that depict the hospital’s target area percentages over time.

Hospitals’ target area percentages are compared with three groups:

- all hospitals in the state,
- all hospitals in the Medicare Administrative Contractor/Fiscal Intermediary (MAC/FI) jurisdiction, and
- all hospitals in the nation.

PEPPER allows hospitals to identify when their target area percentages are outliers and helps them prioritize target areas for internal review, auditing, and monitoring. PEPPER also includes two reports on MS-DRGs for one-day stays: the hospital’s top medical and surgical MS-DRGs and the top medical-only MS-DRGs.

Hospitals can use PEPPER to compare their own data over time to identify significant changes in billing practices, pinpoint areas in need of auditing and monitoring, identify potential DRG under- or over-coding problems, and identify target areas where the length of stay is increasing. PEPPER can help hospitals achieve CMS’ goal of reducing and preventing payment errors.

Hospitals began receiving PEPPER again in January 2010 following a year-long hiatus. Many had been waiting for the reports to resume. “At Baptist Health we were looking forward to the return of the PEPPERS,” says Kathleen Roberts, Corporate Compliance and Privacy Officer at Baptist Health in Little Rock, Arkansas. “We feel that they are an important tool for us in focusing our DRG validation audit efforts and our training for physicians, coders, and case coordinators.”

The Centers for Medicare & Medicaid Services (CMS), which is sponsoring PEPPER, recognizes the importance of the reports as well. “We see the value in providing comparative data that can help hospitals identify where they might be at risk for inappropriate payments. These reports put the power in their hands to take proactive steps to prevent payment errors such as inappropriate admissions and DRG coding errors,” states Kevin Young, Technical Adviser in the CMS Office of Financial Management Provider Compliance Group and Project Officer for PEPPER. “The ultimate goal is to protect the Medicare Trust Fund through proactive activities, avoiding the ‘pay and chase’ scenario.”

What is PEPPER?

For those who are not familiar with PEPPER, it is a Microsoft Excel workbook containing hospital-specific data for Medicare severity diagnosis-related groups (MS-DRGs) and discharges determined by CMS to be at high risk for payment errors. PEPPER supports compliance efforts by identifying risk areas for which a hospital is an outlier in comparison to others.

PEPPER is back to spice up hospital auditing and monitoring programs.

PEPPER—short for Program for Evaluating Payment Patterns Electronic Report—provides hospital-specific data for Medicare severity diagnosis-related groups (MS-DRGs) and discharges determined by CMS to be at high risk for payment errors. PEPPER supports compliance efforts by identifying risk areas for which a hospital is an outlier in comparison to others.
How has PEPPER changed?
Although the basic functionality of PEPPER remains the same, the data reports have undergone some changes:

- Hospitals are now compared to other hospitals in the three comparison groups (state, MAC/FI jurisdiction, and nation), whereas previously PEPPER could only provide statewide comparisons.
- Hospital data is not displayed if the numerator for the target area is less than 11. This is due to data use restrictions established by CMS. As a result of this, a small number of hospitals may not receive a PEPPER due to not having any reportable data.
- The Compare Worksheet has been revised to include hospital percentile rankings for the three comparison groups.

Who benefits from PEPPER?
In particular, hospital compliance programs benefit from these reports. “We include a quarterly PEPPER audit in our annual compliance implementation plan,” says Ms. Roberts of Baptist Health. “We use the results of the audits to develop specific action plans for ensuring compliant documentation, educating physicians regarding medical necessity of inpatient stays, and improving system coding accuracy.”

Health Information Management (HIM) departments also find PEPPER useful. “PEPPER benefits an HIM/Coding department by laying the groundwork for focused reviews,” states Donna Wilson, RHIA, CCS, Senior Director at Compliance Concepts, Inc. “If the hospital’s percentages are above or below the norm, the HIM/Coding department will be able to focus on these areas of coding/documentation to determine why the numbers are different from their peer hospitals. The quarterly monitoring of

The comparative Medicare data in PEPPER assists the efforts of many hospital leaders and staff members.

CEOs and administrators use PEPPER to:
- Access tables and graphs that display hospital performance over time in comparison with other hospitals
- Review hospital-specific data and comparative target area statistics for the state, MAC/FI jurisdiction, and nation
- Track and trend administrative data to identify changes in billing practices and Medicare reimbursement for CMS target areas

Chief financial officers use PEPPER to:
- Identify areas of potential overpayments and underpayments
- Identify DRGs with a high proportion of short-stay outliers (for long-term care hospitals)
- Compare hospital length-of-stay data to length-of-stay data for the MAC/FI jurisdiction
- Assess Medicare reimbursement for target areas, track and trend over time

Compliance officers use PEPPER to:
- Review hospital-specific data for target areas identified by CMS as being at high risk for payment error
- Identify areas of potential overpayments and underpayments
- Help prioritize areas for compliance auditing and monitoring
- Access data tables and graphs that display hospital performance over time in comparison with other hospitals

Utilization Review/Quality Improvement staff use PEPPER to:
- Identify areas that may be in need of closer study to determine whether the admission was medically necessary or if the procedure or treatment was performed in the appropriate setting
- Monitor hospital readmission rates to assist in identifying opportunities for improvement related to quality of care
- Identify target areas where the average length of stay is increasing (or decreasing, in the case of long-term care hospitals)
- Aid hospital efforts to improve medical record documentation

Health Information Management staff use PEPPER to:
- Identify potential DRG under- and over-coding
- Identify DRGs that are problematic, for which the hospital may want to focus auditing and monitoring efforts
- Access tables and graphs that display hospital performance over time in comparison with other hospitals, which can be used for educational training activities
- Prioritize areas for coding compliance auditing and monitoring
- Aid hospital efforts to improve medical record documentation

Continued on page 6
PEPPER is back: Using Medicare data reports for auditing and monitoring
...continued from page 5

PEPPER will better prepare the organization for upcoming Recovery Audit Contractor audits.”

For a complete list of hospital staff members who can use PEPPER, please see the sidebar on page 7.

When is PEPPER released?
Short-term and long-term acute care inpatient PPS hospitals will receive PEPPERs through a My QualityNet secure file exchange on or about January 25, March 24, May 24, August 24 and October 25, 2010. My QualityNet, (accessible from the www.qualitynet.org) is the only CMS-approved method for secure electronic communications and health care quality data exchange between data vendors and hospitals.

The PEPPER files are sent to the hospital’s QualityNet Administrators and to QualityNet user accounts with the PEPPER recipient role. Although QIOs are no longer involved in providing PEPPER, hospitals will need to work with their QIO to obtain My QualityNet Administrator accounts if they do not already have these accounts established.

For more information
Visit PEPPERresources.org to access additional information regarding PEPPER, including information concerning QualityNet administrator and QualityNet user accounts. Tools, data, and other resources, including a recorded web-based training session, are also available on the website.

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