Holding the compass of compliance in nine states—and across the world

an interview with Ruth Krueger
Enterprise Compliance Program Manager, Sanford Health

See page 20

27 OIG 2015
Work Plan, Part 1: Do fewer projects mean a sharper focus?
Nathaniel Lacktman

35 Medicare claims appeals process: Newly announced alternatives to ALJ hearings
Jessica C. Forster and Kevin R. Miserez

39 OCR enforcement: Lessons learned and preparing for what’s ahead
Betta Sherman

47 Comparative billing reports support auditing efforts
Kimberly Hrehor and Dan McCullough

This article, published in Compliance Today, appears here with permission from the Health Care Compliance Association. Call HCCA at 888-580-8373 with reprint requests.
Do you work for any of the following provider types?

- Short-term (ST) acute care hospital
- Long-term (LT) acute care hospital
- Critical access hospital (CAH)
- Inpatient psychiatric facility (IPF)
- Inpatient rehabilitation facility (IRF)
- Hospice
- Partial hospitalization program (PHP)
- Skilled nursing facility (SNF)

If the answer is “Yes,” chances are your facility receives a free report that can help identify areas that may be at risk for improper Medicare payments. It’s called the Program for Evaluating Payment Patterns Electronic Report (PEPPER).

PEPPER, produced under contract for the Centers for Medicare & Medicaid Services (CMS) by TMF® Health Quality Institute (TMF), is a report that summarizes Medicare claims data statistics for areas that may be at risk for improper Medicare payments. PEPPERs have been available for short-term acute care hospitals and long-term acute care hospitals for several years; more recently, they have been available for CAHs, IPFs, IRFs, hospices, PHPs, and SNFs. And new in 2015, PEPPER will be available for home health agencies. There is a customized PEPPER for each type of provider, as the risk areas vary for different provider types. Visit www.PEPPERresources.org to access a listing of target areas included in each type of PEPPER.

PEPPER summarizes the Medicare claims statistics for one provider. You may think, “I can calculate my own claims data statistics.” True, but do you know how your billing patterns compare to those of other providers? Probably not. One of the most valuable aspects of PEPPER is that it shows how a provider’s billing statistics compare to all other providers in the nation, Medicare Administrative Contractor (MAC) jurisdiction, and state. These comparisons provide context so that providers can determine if they are at higher risk for improper payments. If so, they can review medical record documentation and billing and coding processes to ensure they are complying with payment policies. PEPPER cannot identify improper Medicare payments, but it can be used...
to help providers identify when they may be at higher risk for improper Medicare payments; therefore, they can be proactive in determining whether any issues exist and can take any necessary corrective measures.

**Using PEPPER to support compliance efforts**

How do providers use PEPPER? According to 130 individuals who responded to a PEPPER feedback form available on the PEPPERresources.org website, PEPPER is being used to:

- Guide the auditing process to focus on areas of potential vulnerability (68%)
- Improve the quality of clinical documentation (47%)
- Educate medical staff (44%)
- Review their diagnosis and procedure coding process (35%)
- Assess case management procedures (35%)
- Educate staff regarding coding guidelines (31%)
- Assess previous efforts to change billing patterns (18%)

It’s not surprising that PEPPER is most frequently used to guide auditing and help providers focus on areas of potential vulnerability.

Several reports in PEPPER can help with that goal, for example the Compare Targets report as well as the National High Outlier Ranking report (only available in ST acute care hospital PEPPER). PEPPER also includes data tables and graphs displaying the summarized statistics. These reports can help identify changes over time. To see sample PEPPERS, visit the PEPPERresources.org website and click on the applicable Training and Resources page.

For example, a ST acute care hospital may see a graph (Figure 1) in their PEPPER, depicting an increase in the percent of two-day stays for surgical diagnostic related groups (DRGs) over the most recent two quarters. The hospital’s percent is now above the national, jurisdiction, and state 80th percentiles, an indication of risk for improper payments. Questions the hospital may wish to explore are:

- Were there any changes in admission processes?
- Are there new physicians with admitting privileges?
- Has the hospital added any new lines of service that may have increased surgical two-day stay admissions?
- Could this change be the hospital’s response to the Two-Midnight Rule (2MR) which was implemented October 1, 2013 (for the first quarter of fiscal year 2014)? Under the 2MR, CMS generally presumes that admissions spanning two or more midnights are appropriate.
The skilled nursing facility PEPPER graph (Figure 2) for Nontherapy Resource Utilization Groups (RUGs) with high Activities of Daily Living (ADL) indicates an increase in beneficiaries with high ADL scores for non-therapy RUGs. Questions to ask could include:

- Have there been any changes in staff who assess beneficiaries’ ADL?
- Did staff receive training on the assessment of ADL?
- Have there been any changes in the referral sources that affected the patient population, resulting in a greater number of beneficiaries with high ADL scores?

In another example, this inpatient rehabilitation facility PEPPER graph (Figure 3) for miscellaneous Case Mix Groups (CMGs) shows the facility’s percent of all Medicare discharges for the four miscellaneous CMGs
(which include diagnoses such as debility, generalized weakness, and other miscellaneous conditions) has increased in the most recent fiscal year, although it is still below the national and jurisdiction 80th percentile. Is it possible that these patients did not require an IRF level of care, or perhaps there was a more definitive diagnosis that should have been assigned?

**Putting PEPPER to use**

It’s a good idea to share and review your PEPPER with others within your organization, so they can be involved in interpreting the statistics and planning next steps. Share the PEPPER with Health Information Management/Coding, Utilization Review, case management, Quality Improvement, Compliance, Finance, physician leadership, and any others who could assist with these activities. At this point, consider factors that could result in your facility’s billing patterns that identify you as being at risk for improper payments, such as the type of services offered, patient case mix/population, reimbursement policy/regulatory changes, and external events in your community, such as the opening or closing of other health care providers.

When reviewing your PEPPER, if applicable, consider reviewing target areas that could be interpreted in conjunction with each other.

When reviewing your PEPPER, if applicable, consider reviewing target areas that could be interpreted in conjunction with each other. For example, related to the ST acute care hospital PEPPER, consider simple pneumonia and respiratory infections. If the target area percent of simple pneumonia discharges is low, but the percent of complex pneumonia (respiratory infections) discharges is high, this could be an indication of overcoding. If the opposite is true, it may be possible that the type of pneumonia diagnosed is not being recognized by coders, and physicians are not being queried for further information. Also, consider reviewing the average length of stay (ALOS) for the numerator and denominator discharges for coding-focused target areas. Theoretically, the numerator discharges would represent higher-severity patients, and the ALOS for the numerator discharges may be expected to be somewhat longer than that for the denominator discharges.

Using the information you’ve gleaned to develop an audit plan, tackle those areas with highest priority first (consider your hospital’s percentile, number of discharges, and sum of reimbursement for each target area). Think about how you will conduct your reviews: Will they be internal or external, using consultants or outside staff? What time period will you select to review? You may wish to review records from the most recent time periods and move backwards in time if you need to expand the review.

The next step is to review a sample of medical records. You can determine if you want to conduct a random record review or if you want to select some records that may be more prone to unnecessary admission or DRG coding errors, perhaps by principal diagnosis code, length of stay, admission source, or some other factor. Submit corrected claims to your Medicare Administrative Contractor (MAC) for any identified improper payments.
Based on the findings from the review, determine if you need to conduct an audit that has a larger scope. If potentially fraudulent issues are identified through the review, you may wish to consider self-disclosing that to the Office of the Inspector General (OIG). You would want to discuss this option carefully with legal counsel to determine a course of action. To learn more about the OIG’s self-disclosure protocol, visit [oig.hhs.gov](http://oig.hhs.gov).

Work as a team to develop changes to processes, develop and conduct staff education, and put systems in place to prevent future payment errors. Once changes are implemented, remember to conduct another review (a remeasurement review) to determine if the changes were successful or if further interventions are necessary. Periodic monitoring or spot checking is also important to ensure relapses don’t occur. You can also review your PEPPER to see if changes in target area statistics can be identified.

### How can I get my PEPPER?

PEPPER is distributed on a quarterly basis for ST acute care hospitals and is distributed annually for all other provider types. See the upcoming PEPPER distribution schedule and delivery method in Table 1. Providers that receive their PEPPER through the secure PEPPER portal on [PEPPERresources.org](http://PEPPERresources.org) can obtain their PEPPER for the previous release (version Q4FY13), if one was available, in addition to their new (version Q4FY14) PEPPER.

The following providers can access their PEPPER electronically through the Secure PEPPER Access page at [PEPPERresources.org](http://PEPPERresources.org):

- LTCHs
- Free-standing IRFs (not a unit of an ST acute care hospital)
- Hospices
- PHPFs not associated with an ST acute care hospital or with an IPF
- SNFs that are not a swing-bed unit of a ST acute care hospital

The following providers receive their PEPPER through a QualityNet secure file exchange to QualityNet Administrators and user accounts with the PEPPER recipient role:

- Critical access hospitals (CAHs)
- IPFs

### Table 1: PEPPER Distribution Schedule through August 2015

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Distribution Date</th>
<th>Distribution Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term acute care hospitals</td>
<td>March 6, 2015; June 3, 2015; August 31, 2015</td>
<td>QualityNet secure file exchange</td>
</tr>
<tr>
<td>Long-term acute care hospitals</td>
<td>Annually, beginning April 7, 2015</td>
<td>Available via secure portal on <a href="http://PEPPERresources.org">PEPPERresources.org</a></td>
</tr>
<tr>
<td>Critical access hospitals</td>
<td>Annually, on or about April 17, 2015</td>
<td>QualityNet secure file exchange</td>
</tr>
<tr>
<td>Inpatient psychiatric facilities</td>
<td>Annually, on or about April 17, 2015</td>
<td>Free-standing IPFs and IPF distinct part units of ST acute care hospitals:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Electronically via QualityNet secure file exchange</td>
</tr>
<tr>
<td>Inpatient rehabilitation facilities</td>
<td>Annually, between April 6 and April 17, 2015</td>
<td>Free-standing IRFs: Available via secure portal on <a href="http://PEPPERresources.org">PEPPERresources.org</a> on April 6, 2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IRF distinct part units of ST acute care hospitals: Electronically via QualityNet secure file exchange</td>
</tr>
<tr>
<td>Hospices</td>
<td>Annually, on or about April 13, 2015</td>
<td>Available electronically via secure portal on <a href="http://PEPPERresources.org">PEPPERresources.org</a></td>
</tr>
<tr>
<td>Partial Hospitalization Programs</td>
<td>Annually, between April 6 and April 17, 2015</td>
<td>PHFs administered through Community Mental Health Centers, IRFs, LT acute care hospitals, and children’s hospitals: Available via secure portal on <a href="http://PEPPERresources.org">PEPPERresources.org</a> on April 6, 2015</td>
</tr>
<tr>
<td>Skilled nursing facilities</td>
<td>Annually, on or about April 20, 2015</td>
<td>SNFs/swingbeds that are part of ST acute care hospitals:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Electronically via QualityNet secure file exchange</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Free-standing SNFs and SNFs that are part of another type of hospital:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Available via secure portal on <a href="http://PEPPERresources.org">PEPPERresources.org</a> on April 20, 2015</td>
</tr>
</tbody>
</table>

888-580-8373  www.hcca-info.org
FEATURE

- IRF distinct part units of a ST acute care hospital
- PHPs administered by a ST acute care hospital or an IPF
- SNF swing-bed units of a ST acute care hospital

Who else might be looking at my PEPPER?
TMF releases a provider’s PEPPER only to that specific provider. PEPPERS are not available for public release. TMF does not provide PEPPERS to other contractors, although TMF does provide an Access database (the First-look Analysis Tool for Hospital Outlier Monitoring, or FATHOM) to MACs and Recovery Auditors. FATHOM can be used to produce a PEPPER. It’s important to keep in mind that federal contractors have access to much more claims data information about providers than are included in PEPPER, and they have access to sophisticated data mining tools. In addition, law enforcement (such as the Department of Justice) may be able to obtain your PEPPER in an effort to support their internal activities. This may sound alarming to some providers, but the benefit of PEPPER is that the providers will have it first and be able to prepare if regulatory or law enforcement agencies come knocking. Practicing due diligence and self-auditing in areas that appear to be at greater risk for improper Medicare payments may help to mitigate risks of regulatory enforcement if payment errors are identified.

Where to learn more?
TMF has developed many resources to assist providers with using PEPPER. Visit www.PEPPERresources.org for recorded training sessions, PEPPER user’s guides, sample reports, national-level comparative data, and other resources. TMF encourages users to submit questions about accessing or using their PEPPER through the Help Desk on the website.

AUDITS
Can you quickly get answers to these questions?

- How many dollars are at risk?
- How many dollars are held in appeals?
- How is cash flow impacted?

With HealthPort, You Can.

With HealthPort’s integrated release of information and audit management services, you can streamline audit workflow, provide savings and avoid technical denials, while providing up-to-the-minute financial reporting to facility stakeholders.

Try our Audit Risk Calculator to estimate your facility’s dollars at risk and watch a video on integrated ROI and audit management.

healthport.com/CT