

Health Finance Case Studies

Case 1: Primary Care Financial Management

The Health Center Program provides grants to nonprofit private and public entities that serve designated medically underserved populations and areas and vulnerable populations of migrant and seasonal farm workers, homeless individuals, and public housing residents. These grants are commonly referred to as “section 330 grants.”

Under the American Recovery and Reinvestment Act of 2009, P.L. No. 111-5 (Recovery Act), enacted February 17, 2009, HRSA received \$2.5 billion, \$2 billion of which was to expand the Health Center Program by serving more patients, stimulating new jobs, and meeting the expected increase in demand for primary healthcare services among the Nation’s uninsured and underserved populations. HRSA awarded a number of grants using Recovery Act funding in support of the Health Center Program, including Health Information Technology Implementation (HIT), Capital Improvement Program (CIP), New Access Point (NAP), and Increased Demand for Services (IDS) grants.

ABC Primary Care, Inc. (ABC Primary), is a nonprofit organization that operates community health centers in San Antonio, Texas, and the surrounding area. ABC Primary provides medical, dental, and mental health services and is funded primarily by patient service revenues and Federal grants. During fiscal years 2010 and 2011 (February 1, 2009, through January 31, 2011), ABC Primary received approximately \$9.8 million (Federal share) in section 330 grant funding to supplement its health center operations. For project periods ranging from March 2009 through May 2012, HRSA awarded Barrio funding for five Recovery Act grants totaling \$7,518,980: \$4,024,697 under two HIT grants, \$1,447,420 under a CIP grant, \$1,300,000 under an NAP grant, and \$746,863 under an IDS grant.

ABC Primary did not have adequate controls over its financial management system.

Specifically, ABC Primary did not draw down funds based on the cash needs for each project and did not prepare and complete bank statement reconciliations in a timely manner. Also, ABC Primary did not have adequate procurement procedures to ensure that it obtained reasonable pricing when procuring goods and services.

Source: United States Department of Health and Human Services. (2013). Barrio Comprehensive Family Health Care Center, Inc., Did not always follow federal regulations. Retrieved from <http://oig.hhs.gov/oas/reports/region6/61100067.asp>

OBJECTIVES

Our objectives were to determine whether:

- (1) The costs that ABC Primary claimed were allowable and
- (2) ABC Primary had adequate controls over its financial management system

SUMMARY OF FINDINGS

Of the \$16,020,116 that we reviewed, \$3,417,461 was allowable. We could not determine whether salary and fringe benefit costs totaling \$12,543,068 that ABC Primary claimed were allowable because ABC Primary did not maintain personnel activity reports for employees who worked on its section 330, HIT, NAP, and IDS grants and because the accounting records for the section 330 and NAP grants did not separate expenditures related to the Federal grants from those related to other funding sources. ABC Primary recorded additional potentially unallowable costs of \$50,240 for compensation increases and \$9,347 for interest expense.

Case 2: Claims Processing

BACKGROUND

The Centers for Medicare and Medicaid Services (CMS) administers the Medicare program. CMS employs Medicare contractors, including Wisconsin Physicians Service (WPS), to process and pay hospital outpatient claims using the Fiscal Intermediary Shared System (FISS).

CMS implemented an outpatient prospective payment system (OPPS) for hospital outpatient services. Under the OPPS, Medicare pays for hospital outpatient services on a rate-per-service basis that varies according to the assigned ambulatory payment classification group. Under the OPPS, outlier payments are available when exceptionally costly services exceed established thresholds.

Common medical devices implanted during outpatient procedures include cardiac devices, joint replacement devices, and infusion pumps. Generally, a provider implants only one cardiac device during an outpatient surgical procedure. Under the OPPS, payments to hospitals for medical devices are “packaged” into the payments for the procedures to insert devices. Hospitals are required to report the number of device units and related charges accurately on their claims. The failure to report device units and related charges accurately could result in incorrect outlier payments.

Our audit covered \$32,860 in Medicare outlier payments to hospitals for 14 claims for outpatient procedures that included the insertion of more than one of the same type of medical device. The 14 claims had dates of service during calendar years (CY) 2008 and 2009.

OBJECTIVE

Our objective was to determine whether Medicare paid hospitals correctly for

outpatient claims processed by WPS that included procedures for the insertion of multiple units of the same type of medical device.

SUMMARY OF FINDINGS

Of the 14 claims that we reviewed, Medicare paid eight correctly for outpatient claims processed by WPS that included procedures for the insertion of multiple units of the same type of medical device. However, for the remaining six claims, Medicare did not pay hospitals correctly. These incorrect payments were due to hospitals overstating the number of units and related charges, resulting in excessive or unwarranted outlier payments.

For the six claims, WPS made overpayments to hospitals totaling \$17,996. Incorrect payments occurred because hospitals had inadequate controls to ensure that they billed accurately for claims that included the insertion of medical devices. In addition, Medicare payment controls in the FISS were not always adequate to prevent or detect incorrect payments.

Source: United States Department of Health and Human Services. (2012). Review of outpatient claims processed by Wisconsin Physicians Service that included procedures for the insertion of multiple units of the same type of medical device in calendar years 2008 and 2009. Retrieved from <http://oig.hhs.gov/oas/reports/region1/11100532.pdf>