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ONE DAY STAYS A BIG REASON FOR EXCESS PAY TO HOSPITALS, RAC PROJECT FINDS...

Medicare's three-year pilot project to audit hospital, physician and other provider payments found that CMS overpaid for care by more than \$980 million, thanks largely to poor records, billing errors and medically unnecessary care. One of the most frequently cited reason for excess pay to hospitals: Patients who did not need to be admitted to the hospital.

As Medicare's Recovery Audit Contractor program expands nationwide, one-day hospital stays—considered an indicator that outpatient care may have been appropriate—are a potentially costly target, say industry insiders and revenue experts.

"It's kind of low-hanging fruit," said Paul Shoemaker, president and chief executive officer of American Hospital Directory, which analyzes Medicare spending. The truncated

hospital stays have long invited scrutiny, he said. The HHS' inspector general's office singled out one-day hospital visits for scrutiny as early as 2000. "It's the obvious first step" for auditors, he said.

And one that could be costly. Hospitals face forfeiting Medicare reimbursement for all but the ancillary services for patients who auditors say are improperly admitted, according to the American Hospital Association.

Medicare spent \$8.2 billion in fiscal 2008 on patients hospitalized for a single day, nearly one-fifth of the federally funded program's reimbursement for patients sent home after a hospital stay.

Auditors' criteria for rejecting one-day hospital stays varied under the pilot and it's **Continued on pg. 4— RAC Project...**



QUOTE OF THE MONTH...

**"Men are often capable of greater things than they perform. They are sent into the world with bills of credit, and seldom draw to their full extent."**

*Walpole*

THE PROBLEM WITH "NO" EMPLOYEES

Some people are just naturally negative and often employees that are political use criticism as a power structure. This kind of behavior can really hurt a company. Saying no to a project tends not to reduce an employee's stature because the project he or she brings to a halt is never tested. In fact, the employee who says no all the time may grow in stature as they come to be seen as a

discerning authority. Meanwhile, the risks are generally much greater for the yes employee. No matter how many times managers have been right in the past, when they greenlight a project that fails or underperforms, they will inevitably be subject to criticism and, in the political company, the knives will come out.

This is not as it should be. The process of coming up with new ideas is always more useful to a company than shutting down ideas or doing nothing by keeping your head down. Those that criticize experiments after the fact, when more data are present, are not a help to any company.

**Continued on pg. 2— "NO" Employees...**

## 20% OF HOSPITALIZED MEDICARE PATIENTS READMITTED TO HOSPITAL WITHIN 30 DAYS

One of five Medicare beneficiaries discharged from the hospital is readmitted within 30 days, and half of non-surgical patients are readmitted to the hospital without having seen an outpatient doctor in follow-up, according to a Commonwealth Fund-supported study. All told, unplanned rehospitalizations cost Medicare \$17.4 billion in 2004, the study says. The study, "Rehospitalizations Among Patients in the Medicare Fee-for-Service

Program," by Dr. Stephen Jencks, Dr. Mark V. Williams, and Dr. Eric A. Coleman, highlights the costs and health impact of rehospitalization. It also details the key reasons for rehospitalizations, and highlights gaps in patient management that may be contributing to the high rates. "Healthcare reform is front and center on the national stage. As policymakers debate reform proposals, it's important for them to consider policies that will foster care integration and

coordination while encouraging hospitals to reduce readmissions," said Commonwealth Fund Vice President Dr. Anne-Marie Audet, "Payment reform that provides the right incentives for patient-centered care is a win for everyone. We can improve patients' lives and health, save our healthcare system billions of dollars, and strengthen the primary care system." The researchers found wide

**Continued on pg. 3—  
Hospitalized**



## MEDICARE PROPOSAL WOULD SIMPLIFY PQRI

Medicare is proposing a rule that would simplify reporting requirements for the Electronic Prescribing Incentive Program and the Physician Quality Reporting Initiative and set the Medicare Physician Fee Schedule for calendar year 2010.

The proposal would also add more measures for physicians to report under the PQRI pay-for-performance program, allow data submission from an electronic health record system and create a process

to ease quality measure reporting for group practices. The Centers for Medicare and Medicaid Services has also revised the reimbursement system for some payments. For example, it proposes to stop paying for "consultation" codes typically billed by specialists at a higher rate than equivalent "evaluation and management" services. In addition, CMS is proposing to remove physician-administered drugs from the definition of "physician services," an action the American Medical

Association has been calling for since 2002. CMS published the rule July 13 in the Federal Register, and will accept public comment through Aug. 31. The final rule will be published Nov. 1, and the revised physician payment system would be effective Jan. 1, 2010. CMS is projecting a 21.5 percent rate reduction for physicians in 2010 based on current data, but the agency and Congress annually take measures to prevent or minimize reductions.

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Modern Healthcare

## "NO" EMPLOYEES...CONTINUED FROM PAGE 1

You will succeed neither in life nor business unless you are comfortable trying things out, and selecting the best option available during the period when a decision must be made. Take chances and then move to the best solutions as they become clear to you.

At the highest levels of a company, how a leader handles a project's failure is more important than how he

or she manages a success, because it is the failures that determine how much creativity is allowed and fostered within an organization. If you are not failing, you are not learning and you are not innovating. Learn from your mistakes, but don't create a culture that does not tolerate risk. How do you handle people who raise red flags constantly? Make anyone

who says no to a project put forth an alternative that they think is better.



**REFUSE TO PARTICIPATE IN RECESSION...THINK, SPEAK AND BE POSITIVE!!!**

A Man lived by the side of the road... and sold hot dogs.

He was hard of hearing, so he had no radio. He had trouble with his eyes, so he had no newspaper. But he sold good hot dogs.

He put up a sign on the highway, telling how good they were. He stood by the side of the road and cried, "Buy a hot dog, mister!" And People bought.

He increased his meat and bun order, and he bought a bigger stove to take care of his trade. He got his son

home from college to help him. But then something happened. His son said, "Father, haven't you been listening to the radio? There's a big recession on. The international situation is terrible, and the domestic situation is even worse."

Where upon the father thought, "Well, my son has gone to college, he listens to the radio and reads the newspaper, so he ought to know." So, the father cut down on the bun order, took down his advertising sign, and no longer bothered to

stand on the highway to sell hot dogs.

His hot dog sales fell almost overnight. "You were right, son", the father said to the boy. "We are certainly in the middle of a recession."

**Moral of the Story:**

Take heed of what you are hearing because what goes into your heart comes out. Never let the things happen around you, happen in you. Think, Speak and Be Positive.



**HOSPITALIZED...CONTINUED FROM PAGE 2**

variation in rehospitalization rates among states. Between October 2003 and December 2004, the five states with the highest rehospitalization rates (Maryland, New Jersey, Louisiana, Illinois, and Mississippi) had rates 45 percent higher than the five states with the lowest rates (Idaho, Utah, Oregon, Colorado, and New Mexico). They also found variation in the reasons for rehospitalization. Most patients were rehospitalized for conditions other than those for which they were originally hospitalized. The rehospitalizations were so rapid that these conditions should probably have been the focus of discharge planning in many cases. Overall, 73 percent of patients who were initially in the hospital for surgery were readmitted for medical diagnoses such as pneumonia, heart failure, or bacterial infections. The study also showed that a history of rehospitalization

and prolonged length of hospital stay were stronger predictors of rehospitalization than age, gender, race, poverty, or disability. The authors suggested several steps to reduce rehospitalizations including:

- interventions to better educate patients about self-care in the hospital discharge process; helping hospitals better understand their comparative
- performance on readmissions by providing them readmission data for their patients including those who were rehospitalized elsewhere; collaboration
- between physicians and hospitals to ensure patients get follow-up care; and follow-up care from a primary care doctor as well as a surgeon for surgery patients. "You have to worry about a system in which patients are rehospitalized soon after discharge with no bill for a physician visit in between," said Jencks. "If we want to

prevent unplanned rehospitalizations, we have to help hospitals and community healthcare providers implement transition procedures that are more patient-centered. Patients and families should leave the hospital with a firm follow-up appointment and knowing what to take, what to do, who to call if something unexpected happens, and who they will see and when for follow-up. Doing less is unsafe because, as this study shows, almost all of these patients are high risk – two-thirds will be rehospitalized or die within a year of leaving the hospital."

*The study was published in the New England Journal of Medicine.*

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**MAKING A DIFFERENCE WHERE IT COUNTS...**

## **RAC PROJECT...CONTINUED FROM PAGE 1**

unknown what percentage of the more than 40,000 successful appeals by providers as of September—or 7.6% of all overpaid bills identified by auditors—were related to one-day hospital stays

But hospitals can take basic steps to prepare for review of such brief hospital visits. Executives should ensure doctors explicitly order the patient be admitted; set and consistently follow protocol for hospital admission; and compare admission rates for various procedures against national statistics.

In California—where Medicare's pilot auditors focused first, along with New York and Florida—audits of one-day hospital stays were “very extensive and very debilitating,” particularly for rural hospitals with fewer patients and lower cash flow, said Patricia Blaisdell, the California Hospital Association's vice president of post-acute care services.

Hospitals are bracing for scrutiny of their hospital admissions. In Tennessee, where auditors are expected to arrive in November, hospitals have been urged to review how frequently

patients are admitted for a single day compared with rates nationwide, said David McClure, vice president of finance for the Tennessee Hospital Association.

And at Wayne Memorial Hospital, in Goldsboro, N.C., executives added three registered nurses and hired clinical consultants Executive Health Resources in August 2007 to prepare for the auditors' arrival, said Rebecca Craig, vice president of finance, chief financial officer and corporate compliance officer, for the 267-bed hospital. Physician consultants review hospital admissions to ensure patients rightly belong there, she said. “Our intention is to bill correctly every time,” she said.

By [Melanie Evans](#)  
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