Michigan Association of Healthcare Resource and Materials Management

Navigating OIG Audits for Device Overpayments: Best Practices

AHRMM Advancing Health Care through Supply Chain Excellence

CQO: The Health Care Supply Chain

AHA Events

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Speaker

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CQO: The Health Care Supply Chain

How does your presentation relate to CQO?

- **Cost:** Warranty reimbursements on implantable devices to reduce overall cost to hospital
- **Quality:** Documentation of warranty data to improve quality of OIG and internal audits
- **Outcomes:** Visibility to reasons and frequency of explanted implantable devices to improve patient outcomes

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Learning outcomes

1. Identify the potential gaps within their warranty claims process
2. Define key stakeholders and departments responsible for a successful process
3. Predict their facilities overall understanding and preparedness for an OIG audit

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Medicare Regulation

- *All eligible explanted medical devices must be pursued for warranty credit and no-charge replacement.*

- Eligible devices typically include:
  - all medical devices explanted due to recall,
  - malfunction/failure,
  - and/or early battery depletion.

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Medicare Regulation (cont.)

Medicare providers are expected to pursue free replacements or reduced charges under warranties for implantable medical devices.

If credit received is ≥50% of the cost of the replacement device, provider claim must report the credit – including FD value & condition code (49, 50 or 53).

Prudent Buyer Standard: providers owe eligible credits to Medicare, even if they do not collect them from the manufacturer

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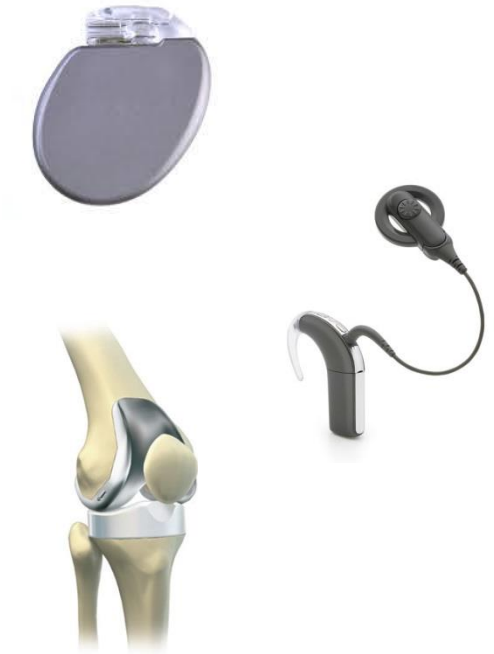
Devices in Question

Is device eligible for warranty due to performance issue?

- Examples
  - Cardiac devices and leads
  - Cochlear
  - Implantable pumps
  - Neurostimulators
  - Ocular lenses
  - Orthopedic joints
  - And others



*See device dependent/intensive HCPCS and MS-DRG final ruling

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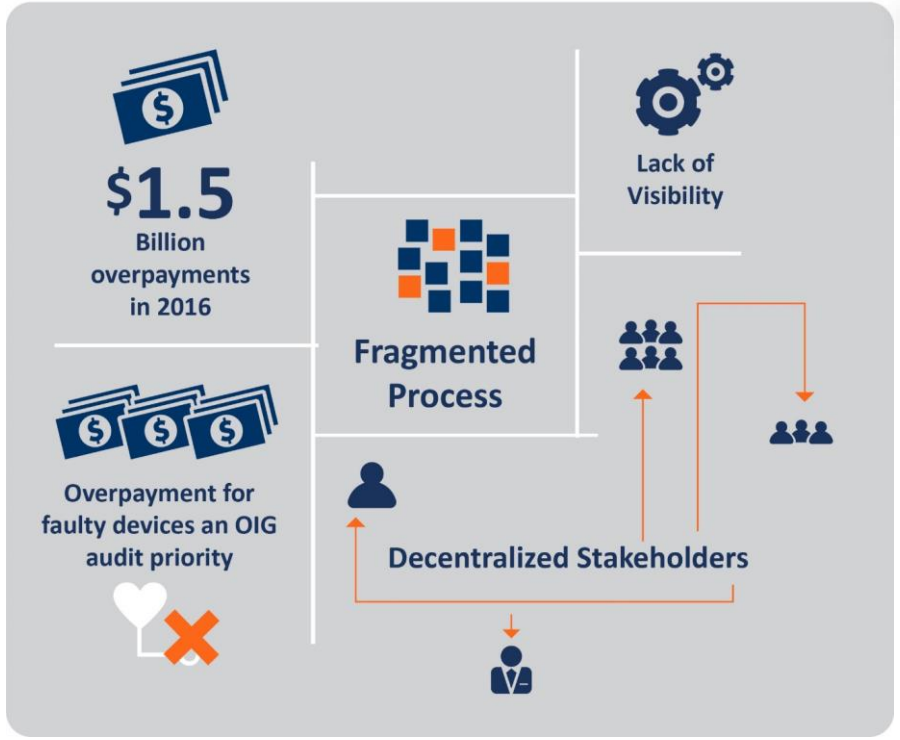
Are you at risk for an Oig audit?




THE WALL STREET JOURNAL.

A Better Way to Find Faulty Pacemakers

Medicare forms don't track such devices, but they should.

By Josh Rising

Oct. 19, 2016 6:37 p.m. ET

The New York Times

Replacing Faulty Heart Devices Costs Medicare $1.5 Billion in 10 Years

WASHINGTON — Medicare paid at least $1.5 billion over a decade to replace seven types of defective heart devices, a government watchdog says. The devices apparently failed for thousands of patients.

How best to identify these defects and cut Medicare spending associated with fixing them has been under consideration at various times since 2007, according to the report. But it remains a contentious issue.

The inspector general recommended that hospitals and doctors be required to submit detailed information identifying failed devices, like serial and batch numbers, during the billing process.

"This could help reduce Medicare costs by identifying poorly performing devices more quickly, which could also protect beneficiaries from

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OIG audit process

OIG audits are time-consuming and onerous for everyone!

Source: OIG documents, OIG Medicare Compliance Reviews by Bricker & Eckler.

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Audit summary

18% of billing mistakes come from incorrectly billed medical device claims

38% of all medical device claims were billed incorrectly to Medicare

* *Results compiled from a review of 75 published OIG audits*

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Key Findings for Medical Device Claims

- **15%** of overpaid device claims were due to hospitals not seeking warranty credits when available
- **78%** of overpaid device claims were due to incorrect codes or lack of adjustments after receiving credits
- To avoid overpayments in the future, most hospitals committed to updated procedures and better communication, but only a select few implemented electronic fixes to flag possible credit claims

* *Results compiled from a review of 75 published OIG audits*

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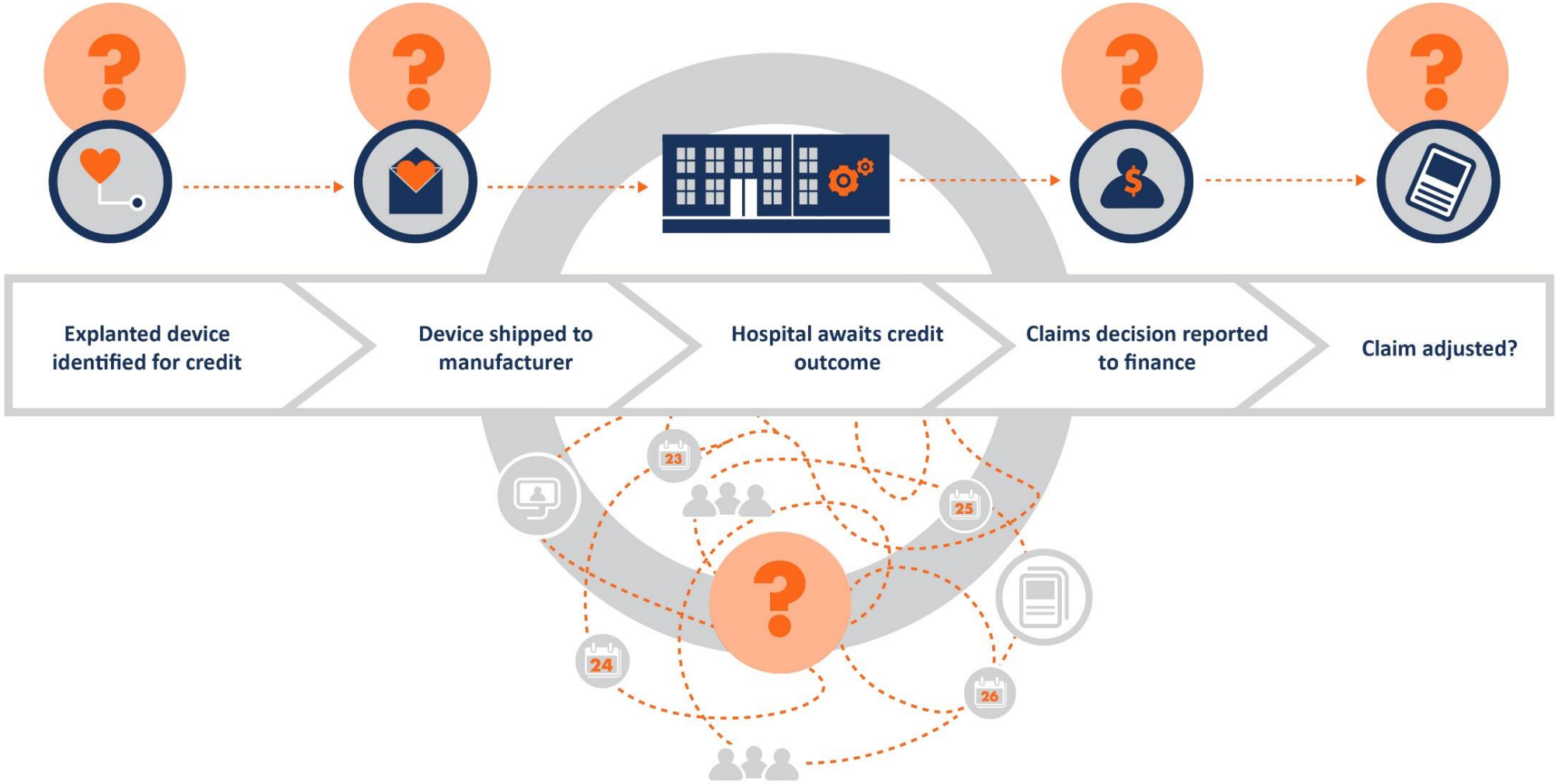
Fragmented process



Lack of visibility, multiple stakeholders and unclear processes

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Example of device warranty workflow

Identify

- Is device eligible for warranty due to performance issue?

Procure

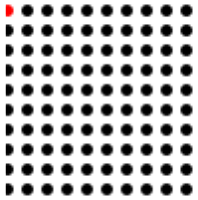
- Was device secured?

Pursue

- Was device returned to the vendor for warranty claim?

Inquire

- What happened to the warranty claim?



Detect

- Did provider receive credit or no charge replacement?

Pay

- Did provider adjust claim for credits ≥50%?

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Challenges/Barriers

- Devices with warranty coverage are discarded or given to patient
- Device shipped but response from vendor never received
- Credit memo issued but not properly identified by hospital as an explant
- Credits ≥50% unintentionally retained by hospital
- Gaining buy-in at all locations and all departments
- Developing a device return workflow that has minimum impact on FTE
- Reliable identification of explant-related credits
- Timely return authorization approval by vendor

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WarrantyTracker can Help

- Fully automated
  - Streamlines process and provides complete visibility into the process
- Estimated warranty tracker calculation
  - System automatically estimates a credit based on device credit terms
- Integrated with vendors
  - Provides automated claim status updates and visibility on all claims
- Credit approval notification
  - Automatic notification provides key information to resolve patient accounts

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Vendor Integration is Key

- Enables users to check claims status at anytime
  - Confirm receipt of device
  - Check claims status
- Provides important insight to manage business
  - Automatic credit estimates help users predict cash flow
- Delivers information to resolve accounts
  - Automatic claim notification
  - Provides critical information to resolve accounts, including accounting for 50% rule

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Best Practices

- Get your providers involved
- Engage local ‘champions’ to assist with workflow and change management
- Develop robust policy & procedures
- Leverage technology for tracking of explant activity
- Establish controls and measures

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Thank You!

CONTACT FOR MORE INFORMATION

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appendix

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Take away: Self-Assessment

1. We have a reasonable understanding of the regulations pertaining to medical device warranty credits
2. Our leadership within compliance, supply chain, clinical departments and revenue are committed to pursuing compliance in this area
3. We have physician, administrative, and front line staff equally committed to compliance in this area
4. We have the means of knowing what devices were shipped for warranty credit, what credits where received, why certain claims were denied, and what patient claims were adjusted – as part of medical device warranty credit compliance
5. We have reviewed the applicable device-dependent MS-DRG and device intensive HCPCS procedure lists pertaining to medical device warranty credit requirements

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Take away: Self-Assessment (cont.)

6. We return both cardiac and surgical explants including but not limited to: cardiac, cochlear, intraocular lens, neurostimulators, prostheses, and major joint replacement
7. We have a policy in place affirming our adherence to applicable Medicare requirements to pursue warranty credits for eligible explanted medical devices
8. We have procedures in place that detail the explant return workflow including: procurement, documentation, packaging, and shipment
9. We have procedures in place that describe the explant credit reconciliation process including: claim follow-up, claim documentation, and credit recognition

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Take away: Self-Assessment (cont.)

10. We have procedures in place that outline the process for patient claim adjustment for credits ≥50% of the replacement device cost
11. We track key explant return activities including when/what was shipped, when a credit outcome was determined, why a credit was denied, and if the patient claim was adjusted
12. We have procedures in place that outline the process for patient claim adjustment for credits ≥50% of the replacement device cost
13. We track key explant return activities including when/what was shipped, when a credit outcome was determined, why a credit was denied, and if the patient claim was adjusted

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Take away: Self-Assessment (cont.)

14. We understand and apply the appropriate value code (i.e. ‘FD’) and condition code (e.g. 49, 50, 53) for patient claim reporting when free product or credits are received
15. We have established and monitor key metrics for explant control as part of our periodic compliance oversight review
16. We feel ready for an audit by the OIG of our medical device warranty credit process and historic claim activity

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Self-Assessment Survey Link:

https://www.surveymonkey.com/r/warranty_credit_self_assessment

Or

Contact us at: AuditRisk@championht.com

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Questions?

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