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Deputy Director  
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**Memorandum**

**URGENT**

May 7, 2010

To: Chief Financial Officers

From: Robert Murray, Executive Director

Re: Admission Denied for Medical Necessity - - Reporting

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After reviewing the Admission Denied for Medical Necessity reports for the first two quarters of FY 2010, it appears that some hospitals may be under-reporting these cases. Since these cases will be excluded from the Charge per Case rate system, it is imperative that all cases be reported.

In the event there may be some misunderstanding as to the cases to be reported, "Admission Denied for Medical Necessity" cases means: those cases, for all payers, where the inpatient admission has subsequently been denied for medical necessity, either self denied, denied after adjudication, or when the hospital does not contest the denial. This refers to those cases where **all of the inpatient routine room and board charges and the admission charge are denied**. Whether or not the hospital is reimbursed for ancillary services provided is not a factor. Several examples are attached as Exhibit A.

Hospitals submitting inaccurate or incomplete data may be subject to fines of up to \$250 a day from the date that the report was due until complete and accurate data are **received**. However, Commission staff is providing hospitals the opportunity to review their records to be absolutely certain that they have reported all Admission Denied for Medical Necessity cases for the first two quarters of FY 2010.

Revisions to the first two quarterly reports may be submitted without penalties on or before June 4, 2010. Additional cases may be included in the Third Quarter FY 2010 Report which is due on May 18, 2010.

**If, after review of the Reports for the first three quarters of FY 2010 and any revisions received, the volume of cases at some hospitals still appears to be underreported, staff will require those hospitals to make available all of their data associated with denials for on-site review . The Commission will also be comparing the number of cases reported to information for such cases received from major third-party payers.**

As part of the Special Audit Procedures, a sample of Admission Denied for Medical Necessity cases will be traced from hospital records to hospital quarterly submissions. Also, as part of the Special Audit, hospital's Chief Financial Officer will be required to attest in writing to the hospital's reporting of all Admission Denied for Medical Necessity cases.

If you have any questions concerning the above, please contact Dennis N. Phelps, Associate Director-Audit & Compliance, at 410-764-2565.

**EXAMPLES**

**Case #1 – Admission Denied for Medical Necessity**

CareFirst patient complaining of abdominal pain admitted through the Emergency Room on 11:00 a.m. on June 1<sup>st</sup> and discharged at 5 p.m. on June 2<sup>nd</sup> (one day stay).

Patient Bill:

ER Charge	\$300
Pharmacy	\$80
M/S Supplies	\$40
Lab	\$60
MSG-Room & Board (1 day)	\$600
Admission Charge	\$250
CT Scan	<u>\$400</u>
Total	\$1,730

Case is adjudicated and the admission denied. CareFirst pays for both ER and ancillaries (pharmacy, supplies, lab) \$880 and does not pay for inpatient charges, i.e., MSG-Room & Board and Admission \$850.

**This case must be reported as an Admission Denied for Medical Necessity.**

Case #2 – Partial Denial of Charges for Medical Necessity

Medicaid MCO patient complaining of severe head aches admitted through Emergency Room on 9:00 p.m. on June 1<sup>st</sup>, discharged on June 4th at 8:00 a.m. (2 day stay). Case was adjudicated and one patient day denied.

Patient Bill:

ER Charge	\$400
Pharmacy	\$100
M/S Supplies	\$80
Lab	\$75
MSG-Room & Board (2days)	\$1,000
Admission Charge	\$300
MRI	<u>\$800</u>
Total	\$2,755

Case adjudicated. One patient day and MRI charged denied as not medically necessary. MCO pays \$1,455 (ER, ancillaries, one day MSG, Admission charge) and \$1,300 was denied (MSG \$500 and MRI \$800).

**This case should is not an Admission Denied for Medical Necessity because not all inpatient charges were denied. This case should not be reported to the HSCRC.**

**Case #3- Admission denied for Medical Necessity**

Medicare patient complaining of chest pain was admitted directly to an inpatient unit on June 1<sup>st</sup> at 3:00 p.m. and discharged June 1st at 1:00 p.m. (one day stay).

Pharmacy	\$400
Lab	\$400
M/S Supplies	\$60
Admission Charge	\$300
ICU- Room & Board	<u>\$1,200</u>
Total	\$2,360

Admission was self-denied by hospital. Ancillaries (\$860) were submitted to Medicare and paid as outpatient charges. The ICU room & Board charge (\$1,200) and Admission charge (\$300) were denied.

**This case must be reported as an Admission Denied for Medical Necessity even though the ancillaries were paid because all inpatient charges were denied, even though the ancillaries were paid.**