# Audit Department

500 S Grand Central Pkwy Ste 5006 • PO Box 551120 • Las Vegas NV 89155-1120
(702) 455-3269 • Fax (702) 455-3893

Angela M. Darragh, CPA, CFE, CISA, Director

December 5, 2014

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89106

Dear Mr. Burnette:

Pursuant to Audit Department policy, we performed a follow-up audit of the UMC Spinal Fusion Medical Necessity audit dated June 17, 2013. The procedures we performed were focused on determining whether appropriate corrective action was taken on findings included in the original audit report.

In order to accomplish our objectives, we interviewed personnel to determine the status of findings in the original audit report and to obtain an understanding of procedures implemented. We examined five patient accounts from April through June 2014. We reviewed the medical records to ensure that medical necessity, as required by the Centers for Medicare and Medicaid Services, was supported and documented.

The one finding noted in the report was not corrected. UMC continues to face challenges to ensure that spinal fusion documentation is included in the medical record. While medical necessity documentation was obtained by the hospital, it did not reach the permanent medical record of the patient.

The auditor's role in follow-up engagements is to compile corrective actions taken from effected Department/Division management, assess whether these responses are adequate or not adequate to correct reported deficiencies, and relay to management. It is the Department/Division management's responsibility to decide if any appropriate action should be taken in response to reported audit findings. It is also their responsibility to assume the risk by not correcting a reported condition because of cost or other consideration.

We conducted this follow up engagement in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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We appreciate the cooperation and assistance provided by Surgical Services staff during the course of this audit.

Sincerely,

Angela M. Darragh

Angela M. Darragh, CPA
Audit Director

AUDIT DEPARTMENT

# Audit Report

## University Medical Center Spinal Fusion Follow Up

December 2014

Angela M. Darragh, CPA, CISA, CFE
Audit Director

***AUDIT COMMITTEE:***
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## BACKGROUND

The Centers for Medicare and Medicaid Services (CMS) focuses efforts on certain high risk areas to ensure claims are for medically necessary procedures. Spinal fusion is one of the procedures that is considered high risk and evaluated often. Spinal fusion is a procedure where two or more vertebrae are fused together, and is typically done after other more conservative treatments fail to stop a patient's pain.

Between February 2013 and December 2013, University Medical Center of Southern Nevada received $35,724,647 in payments for Medicare spinal fusion patients.

The results of the original audit identified several areas that needed corrective action:

- Records did not contain adequate documentation of conservative therapy, behavior modification, and/or pain management.
- Records did not include documentation of the progression of neurological deficits, extremity strength, activity modifications and/or pain levels.
- Records did not include documentation of diagnostic test results and interpretation.
- Records did not maintain adequate history of presenting illness to substantiate the necessity of the procedure documented.

Additionally, Noridian Healthcare Solutions, on behalf of CMS, recently performed a similar review of spinal fusion cases. Noridian reviewed 25 claims and denied payment to UMC for 12 (42%) claims totaling $367,726.76.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether corrective action was taken on the significant findings included in the *University Medical Center Spinal Fusion Medical Necessity* audit report dated June 18, 2013.

To achieve our objective we judgmentally selected five Medicare patient records with spinal fusion procedures from April to June 2014. We reviewed medical records for the following information to support medical necessity:

- Previous non-surgical therapy to include minimum documentation of three months. Documentation should include at least one of the following; Physical therapy, Occupation therapy, and/or joint injections.
- The physical examination documentation is required to indicate a minimum of one of the following; progression of neurological deficits, extremity strength, activity modification and/or pain levels.
- Diagnostic testing with interpretation.

Our procedures consisted of reviewing the original audit report and supporting documents, interviews with management and staff, examination of documents, and performance of detailed testing and analyses. In order to meet the objectives of the audit we reviewed the University Medical Center medical records for documentation showing the following:

- Documentation showing previous non-surgical treatments
- Physical examination clearly documenting the progression of neurological deficits
- Extremity strength
- Activity modification
- Pain levels
- Diagnostic testing with interpretation.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## RESULTS IN BRIEF

UMC continues to face challenges to ensure that spinal fusion documentation is included in the medical record. While medical necessity documentation was obtained by the hospital, it did not reach the permanent medical record of the patient. The findings in this report includes a ranking of risk based on the risk assessment that takes into consideration the circumstances of the current condition including compensating controls and the potential impact on

reputation and customer confidence, safety and health, finances, productivity, and the possibility of fines or legal penalties.

## DETAILED RESULTS

### Insufficient Documentation for Medical Necessity in the Medical Record (HIGH)

The previous audit identified 16 of 18 records that did not contain sufficient information to support medical necessity. During our follow up testing, we determined that four of the five records tested did not contain sufficient documentation to support medical necessity prior to the patient having the Spinal Fusion surgery. Specifically, we found the following deficiencies:

- In four instances the medical record did not contain the required three month documentation to support conservative therapy. Specifically, the medical records did not include one of the following, Physical Therapy, Occupational Therapy, joint injections, pain medications and/or assistive devices.
- In two instances the medical record did not contain the documentation to indicate one of the following, progression of neurological deficits, extremity strength, activity modification and or pain levels.
- In one instance there was no evidence of the performance of the CAT scan (Computerized Axial Tomography) or MRI (Magnetic Resonance Imaging) documented in the medical record.

Payment received for records with insufficient documentation totaled $122,629. While we do not believe we can extrapolate the error rate to the entire Medicare spinal fusion population based on our sample, we believe it does reflect general practice for obtaining medical necessity documentation. Failure to resolve the insufficient documentation puts UMC at risk for fines from the Office of Inspector General and/or the Medicare Administrative Contractor. Medicare may select a sample and extrapolate when investigating overpayments.

#### *R*ecommendation

1. Implement procedures to verify that all relevant documentation to support the medical necessity for elective spinal fusion procedures is submitted and verified prior to the scheduling of the surgery and scanned into the permanent

electronic medical record of the patient.

2. Implement procedures to ensure the current checklist being used to verify medical necessity is included in the electronic health record or surgical chart prior to surgery being scheduled.

# INTEROFFICE MEMO

**To:** Angela Darragh, Director, Clark County Audit Department
**From:** Mason VanHouweling, Chief Operating Officer
**Subject:** Management Response to UMC Spinal Fusion Audit Follow Up
**Date:** November 3, 2014

We respectfully offer the following in response the Clark County Audit Department's Spinal Fusion Follow Up Audit

**Initial findings:**

Insufficient documentation for medical necessity in the medical record

**Auditors Recommendations:**

1. Implement procedures to verify that all relevant documentation to support the medical necessity for elective spinal fusion procedures is submitted and verified prior to the scheduling of the surgery and scanned into the permanent electronic medical record of the patient.

2. Implement procedures to ensure the current checklist being used to verify medical necessity is included in the electronic health record or surgical chart prior to surgery being scheduled.

**Management Response:**

UMC surgical staff employees will be re-educated regarding CMS guidelines for Inpatient Prospective Payment System (IPPS) Services, Additional Documentation Requests (ADR), and ICD-9 coding for surgical procedures. There will also be re-education regarding policies and procedures related to documentation review and requirements for the scheduling of patients for spinal fusion procedures. Staff will be required to complete a check list verifying the receipt of appropriate medical necessity documentation prior to scheduling patients and ensure that such documentation is included in the permanent medical record of the patient. This re-education will be completed by 12/01/2014.

If you have any additional questions, please reach me at (702) 383-2297 or via email at Mason.VanHouweling@umcsn.com