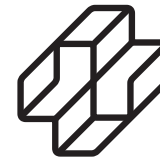


Revenue Cycle Strategist



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Coding Place of Service

By Jennifer Swindle

Q: We hear that Medicare is cracking down on physicians' coding services provided in hospital outpatient departments and ambulatory surgery centers (ASCs) as though they were delivered in their offices. What's behind this, and how can we protect ourselves?

A: A March article in *MLN Matters* (#SE1104) reminds physicians and their billing agents that incorrectly coding the place of service could subject them to recovery actions for overpayments. It cites a 2010 audit by the HHS Office of Inspector General (OIG) that found a very high rate of error in physician place-of-service codes when a nonfacility physician service was billed on the same day as a facility service for the same patient in FY07. In 90 of the 100 randomly selected claims examined, OIG auditors determined that physicians improperly used a nonfacility code for services

that were provided in an ASC or hospital outpatient setting. Because some nonfacility physician payment rates are higher to cover office overhead, these errors resulted in 89 overpayments averaging about \$53 each.

The auditors estimate that the nationwide impact was about \$14 million in overpayments in 2007, and recommended that Medicare contractors reopen suspect claims from earlier years, and look for future errors.

The auditors noted that many physician offices lacked internal controls to avoid such errors. Some offices said they were uncertain about the definition of *physician's office* or were following established practice in billing nonfacility codes; some were unaware that an incorrect place-of-service code could affect Medicare payments; some said their information systems

automatically generated nonfacility codes for all bills; and some reported isolated data input errors.

To avoid these problems, physician billers should be educated in the importance of correctly coding place of service, processes should be put in place to accurately capture service locations, and billing systems should be examined to ensure they are not automatically generating nonfacility codes for all physician bills. If you have problems in any of these areas, you may also want to review claims for the past three years for accurate place-of-service codes.

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