

**Bulletin Number:** MSA 12-69

**Distribution:** Hospitals

**Issued:** December 28, 2012

**Subject:** Post-Payment Review Hospital Audit Contract

**Effective:** February 1, 2013

**Programs Affected:** Medicaid

The purpose of this bulletin is to notify providers of changes related to the Michigan Department of Community Health (MDCH) post-payment review hospital audit contract.

**Effective December 31, 2012**, MDCH's existing post-payment review hospital audit service of the contract with Michigan Peer Review Organization (MPRO) will expire. [Note: The Prior Authorization Certification Evaluation Review (PACER) service of MDCH's contract with MPRO will continue.]

Any post-payment review hospital audits that were initiated on or before December 31, 2012, will be completed under the contract terms that were in effect at the time the audit was initiated. Any appeals that are filed as a result of a post-payment review hospital audit that was done on or before December 31, 2012, will be completed under the contract terms that were in effect at the time the audit was initiated.

Providers will be notified via L-Letter once the post-payment review hospital audit contract has been awarded. All audits completed on or after the date the new contract takes effect will be subject to the terms of the new contract.

### **Non-covered Admissions**

For Medicaid reimbursement, all inpatient admissions must be medically necessary and appropriate. MDCH does not cover inpatient hospital admissions for the sole purpose of:

- Cosmetic surgery (unless prior authorized)
- Custodial or protective care of abused children
- Diagnostic procedures that can be performed on an outpatient basis
- Laboratory work, electrocardiograms (ECGs), electroencephalograms (EEGs), diagnostic x-rays
- Observation
- Occupational therapy (OT)
- Patient education
- Physical therapy (PT)
- Routine dental care
- Routine physical examinations not related to a specific illness, symptom, complaint, or injury
- Speech pathology
- Weight reduction; weight control (unless prior authorized)

Hospitals may not bill beneficiaries for any medical charges for goods and services provided during a nonallowable admission. The beneficiary is assumed to be following the physician's advice. Any accommodations or ancillary services provided during nonallowable admissions or parts of stays will not be reimbursed.

### **Inpatient and Outpatient Post Payment Reviews**

MDCH and/or its audit contractor will perform automated reviews and medical record reviews on inpatient and outpatient services that have been paid. An automated review is a re-examination of a claim payment at the system level. These reviews will focus on errors in pricing, coverage, coding determinations and payment of duplicate claims. A medical record review is a more comprehensive comparison of a hospital's Medicaid claims against the hospital's medical records.

The objective of the MDCH post payment review process is to ensure that MDCH reimbursement is for medically necessary care provided in the appropriate setting, that diagnostic and procedural information is valid and that the care rendered meets current clinical and quality standards of practice. Cases are reviewed using Medicaid-approved Severity of Illness/Intensity of Services (SI/IS) criteria, clinical judgment and generic quality screens.

All reviews include consideration of medical necessity, appropriateness of setting, coding validity/accuracy, and the quality and intensity of care provided to the beneficiary. The audit will also ensure that the quality and intensity of hospital services conform to current and acceptable standards of medical practice and Medicaid policies, procedures, and coding guidelines.

### **Confidentiality**

As an agent of the State, the MDCH audit contractor may access all records related to care provided to Medicaid beneficiaries and is subject to the same state and federal confidentiality requirements as Medicaid staff. The failure of a hospital to make all records available to the contractor will result in denial of that case and subjects that hospital to Medicaid participation sanctions.

### **Additional Information**

For MDCH audit contractor website and contact information, please refer to the Directory Appendix of the Medicaid Provider Manual available at [www.michigan.gov/medicaidproviders](http://www.michigan.gov/medicaidproviders) >> Policy and Forms >> Medicaid Provider Manual.

### **Manual Maintenance**

Retain this bulletin until the information has been incorporated into the Michigan Medicaid Provider Manual.

### **Questions**

Any questions regarding this bulletin should be directed to Provider Inquiry, Department of Community Health, P.O. Box 30731, Lansing, Michigan 48909-8231, or e-mailed to [ProviderSupport@michigan.gov](mailto:ProviderSupport@michigan.gov). When you submit an e-mail, be sure to include your name, affiliation, and phone number so you may be contacted if necessary. Providers may phone toll-free 1-800-292-2550.

Approved



Stephen Fitton, Director  
Medical Services Administration