

## OIG Review of WPS Physician Place of Service Shows 75% of Claims Overpaid

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Practice Area: Health Law

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The Department of Health and Human Services Office of Inspector General (OIG) published its first report to review physician billing accuracy for place of service.

The OIG found that 75% of reviewed claims paid by Wisconsin Physicians Service Insurance Corporation (WPS) included overpayments. Based on a statistical projection of the errors in the sample, the OIG estimated that WPS overpaid physicians \$742,510 for the two-year review period ending December 31, 2002. WPS is the Medicare Part B carrier for Wisconsin, Illinois, Michigan and Minnesota.

OIG reviewed physician claims that it believed had a high potential for error. It reviewed 70 claims for services it believed physicians may have performed in an outpatient hospital setting, and 30 claims for services physicians may have performed in an ambulatory surgical center (ASC). All of the claims had been billed using a "non-facility" place-of-service code, which results in higher payment to the physician than claims billed with a "facility" place of service code. OIG did not report the specific services or procedures it reviewed.

Of the 70 services believed to be furnished in a hospital outpatient setting, OIG found that 54 were overpaid, with an average overpayment of \$14.87 per claim. Of the 30 services believed to be furnished in an ASC, OIG found that 21 were overpaid, with an average overpayment of \$54.52 per claim.

WPS has already requested refunds of the specific overpayments identified in the OIG's report. It has put in place some internal controls designed to address place-of-service errors. WPS also committed to an educational plan to re-emphasize the importance of billing with the correct place-of-service. Both the OIG and WPS recognize, however, that WPS is currently limited in the extent to which it can match data with fiscal intermediaries to identify services that may have been performed in a hospital outpatient setting.

WPS noted: "As part of our education effort we will encourage providers to self assess and submit any overpayments."

The OIG's report is the first to focus on the payment differential between physician office and facility settings. The OIG Fiscal Year 2004 Work Plan had included physician place-of-service errors for review, and this report appears to be the result of that project.

With increased focus on payment differential errors, we recommend that clients consider whether they should review their physician billing practices. Physician bills for services performed in hospital outpatient departments and ASCs should note the “facility” site of service, so that the physician is not paid the amounts intended to reimburse for facility costs. Similarly, hospital outpatient departments that are provider-based may want to take steps to ensure that physicians bill with the correct place-of-service. Under the provider-based rules, physician failure to bill the place-of-service properly can jeopardize a site’s provider-based status. This is true even where the hospital is not involved in the physician billing. Given the high error rate in the WPS report, and WPS’s request that providers self-assess and refund overpayments, review of this issue could be an important part of an effective compliance program for the coming year.

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