

STATE OF MARYLAND  
DEPARTMENT OF HEALTH AND MENTAL HYGIENE

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Executive Director

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Principal Deputy Director  
Policy & Operations

Gerard J. Schmith  
Deputy Director  
Hospital Rate Setting

Charlotte Thompson  
Deputy Director  
Research and Methodology

**HEALTH SERVICES COST REVIEW COMMISSION**  
4160 PATTERSON AVENUE · BALTIMORE, MARYLAND 21215  
AREA CODE 410-764-2605  
FAX 410-358-6217  
Toll Free 888-287-3229  
Web Site: [www.hsrc.state.md.us](http://www.hsrc.state.md.us)

October 28, 2009

To: Chief Financial Officers

From: Robert Murray, Executive Director

Re: Reporting Requirements – Admissions Denied for Medical Necessity

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At its August 5, 2009 public meeting, the Commission approved the requirement for hospitals to report certain data associated with cases where the admission was subsequently denied for medical necessity (see attachments). The data (medical record number, date of admission, and total charges billed) are required to be submitted on a quarterly basis 45 days after the end of each calendar quarter in the format prescribed, with the first submission due on November 16, 2009. It is very important that the medical record number reported in the "Admissions Denied for Medical Necessity" submission be identical to the number reported on the Inpatient Discharge Data Tape. Hospitals may report cases that have been adjudicated and the admission denied in the quarterly submission in which the denial was finalized even if the admission date was in a prior quarter. 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.

It appears that there continues to be some misunderstanding as to the cases to be reported. The term 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 means 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.

It is vital that data for all Admissions Denied for Medical Necessity cases are submitted timely and accurately. As part of the Special Audit Procedures, a sample of Admissions Denied for Medical Necessity cases from hospital records will be traced to the hospitals' quarterly submissions. In addition, the Chief Financial Officer will be required to attest to the hospital's reporting all Admissions denied for Medical Necessity cases. In the event that all such cases are not reported, hospitals will be subject to the fines associated with inaccurate or incomplete reporting.

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

# Staff Recommendation

August 5, 2009

Staff is concerned that in a case where an admission has been denied for medical necessity, it would still flow through the Charge-per-Case (CPC) methodology and inappropriately result in a hospital's maintaining revenue capacity.

Staff recommends that the Accounting and Budget Manual be amended to require a new quarterly report of Admissions Denied for Medical Necessity. The due date for this report is the same date the Quarterly Inpatient Discharge Abstract tape is due.



**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.**