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Examples: Generating Outlier Payments When Reporting Charges and Credits for Medical Devices

Here are examples of the correct and incorrect ways of reporting charges and credits for replaced medical devices that will generate outlier payments, which is the target of a new audit by the HHS Office of Inspector General (“With Request for Vendor Memos, OIG Begins Audit of Outlier Payments and Device Credits,” RMC 28, no. 10). These examples were developed by Stephen Gillis, director of compliance coding, billing and audit at Partners HealthCare in Boston. Contact him at sgillis@partners.org.

Assumptions:				
device cost = \$10,000				
charge amount for device based on a markup of 2x = \$20,000				
Original Claim				
Original Claim total charges (includes device)	\$50,000			
Original claim total payment	\$15,000			
Difference between charges and payments	\$35,000			
Outlier triggered?	No			
Hypothetical Scenario 1				
Device credit received, greater than 50% of cost	\$6,000	New cost for the device is \$4,000 with 2x markup equals new charge of \$8,000.		
Claim adjusted to reflect FD value code with \$6,000 value code will decrease APC payment by \$6,000.				
Forgot to reduce the \$20,000 charge to reflect a reduction in the cost of the device so total charges remain at \$50,000				
Revised claim #1 – with incorrect charges			Revised claim #1 – with correct charges	
Revised Claim total charges (includes device)	\$50,000		Revised Claim total charges (includes device)	\$38,000

Revised claim total payment (from FD = 6,000)	\$9,000		Revised claim total payment (from FD = 6,000)	\$9,000
Difference between charges and payments	\$41,000		Difference between charges and payments	\$29,000
Outlier triggered?	Yes		Outlier triggered?	No

Hypothetical Scenario 2

Device credit received (full replacement cost)	\$10,000	New cost for the device 0 and a token charge of .00 or .01 should be reported.
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Claim adjusted to reflect FD value code with \$6,000 value code will decrease APC payment by \$6,000.

Forgot to reduce the \$20,000 charge to reflect a reduction in the cost of the device so total charges remain at 50,000

Revised claim scenario 2 – with incorrect charges		Revised claim scenario 2 – with correct charges	
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Revised Claim total charges (includes device)	\$50,000		Revised Claim total charges (includes device)	\$30,001
Revised claim total payment (from FD = 10,000)	\$5,000		Revised claim total payment (from FD = 10,000)	\$5,000
Difference between charges and payments	\$45,000		Difference between charges and payments	\$25,001
Outlier triggered?	Yes		Outlier triggered?	No

Reporting the device credit with FD value code reduces the APC payment amount by the amount of the credit.

If you forget to reduce the charges to reflect the lower cost for the device, the gap between charges and payment increases and can sometimes cause an outlier situation.

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