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Palomar Health Settles CMP Case on Intensive Outpatient Psych Services

By Nina Youngstrom

In another multimillion-dollar behavioral health care case, Palomar Health in California agreed to pay \$3.084 million in a civil monetary penalty (CMP) settlement about billing for outpatient therapy that allegedly wasn't medically necessary.

The HHS Office of Inspector General (OIG) alleged that Palomar submitted claims to Medicare, Medicaid and TRICARE through its intensive outpatient psychiatric program for outpatient therapy services that weren't medically necessary or supported by the medical records from May 1, 2013, through May 1, 2019. OIG contended that Palomar knew or should have known the claims were fraudulent, according to the settlement, which was obtained through the Freedom of Information Act.

The settlement stemmed from Palomar's disclosure to OIG. It was accepted into OIG's Self-Disclosure Protocol in December 2019. The hospital didn't admit liability in the settlement, and a Palomar spokesman declined to comment on the settlement or provide additional details.

This is at least the second recent CMP behavioral health settlement with OIG. In separate settlements late last year, two Massachusetts hospitals in the same family agreed to pay a total of about \$8.37 million to settle allegations that their inpatient psychiatric units didn't comply with Medicare requirements for certifications and treatment plans. Steward Holy Family Hospital in Methuen agreed to pay \$6.952 million and Nashoba Valley Medical Center, which is described in the settlement as "a Steward Family Hospital," agreed to pay \$1.424 million.^[1]

Intensive Outpatient Therapy 'Is Misunderstood'

Intensive outpatient psychiatric services are a benefit usually provided by Medicaid and private payers, with patients typically attending group therapy three or four times a week in addition to individual therapy. Partial hospitalization is a similar outpatient service covered by Medicare Part B. Patients in partial hospitalization must receive 20 hours of services a week, which are often provided in hospital outpatient departments and community mental health centers.

"Intensive outpatient psychiatric services have been around a long time. It's often misunderstood because it's not outpatient therapy and it's never meant to be outpatient therapy, but it's billed as an outpatient encounter," said Denise Hall-Gaulin, a principal with PYA. "It's a bridge between inpatient and outpatient settings." Intensive outpatient psychiatric services and partial hospitalization are designed to keep patients out of inpatient beds, but they're intended to be "episodic," Hall-Gaulin said. "One of the biggest problems I have seen with this is people set up the programs and never discharge them to an outpatient setting. There's a misunderstanding about the purpose. It's not supposed to be long term."

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