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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548



HUMAN RESOURCES  
DIVISION

B-164031(3)

JUL 29 1976

The Honorable  
The Secretary of Health, Education,  
and Welfare

Dear Mr. Secretary:

During 1974 and 1975, we reviewed the Medicaid systems in Colorado, Maryland, and Massachusetts to identify and report the reasons for social service or administratively necessary days spent in a hospital when patients no longer require hospital care. In this letter, we refer to all such days as administratively necessary (AN) days. We also obtained data on Medicare AN hospital days for a 6-month period in Colorado and for 5 weeks for one Medicare intermediary in Massachusetts.

For selected 6-month periods in 1974 and 1975, the Medicaid AN days were 0.5 percent, 0.9 percent, and 2.6 percent of total hospital days in Colorado, Maryland, and Massachusetts, respectively. They cost the Medicaid program about \$1.3 million more than the care would have cost in lower cost facilities. Medicare AN days were also about 0.5 percent of total hospital days in both Colorado (for the period October 1, 1974, through March 31, 1975) and one fiscal intermediary in Massachusetts (for the period December 3, 1974, through January 31, 1975). The cost to the Medicare program was about \$184,000. Even though the percent of total Medicare and Medicaid AN hospital days relative to total hospital days is small, the cost of AN hospital days represents a large dollar expenditure, and the Department of Health, Education, and Welfare (HEW) should try to reduce the number of AN days.

MEDICAID PAYMENTS FOR AN HOSPITAL DAYS

According to a Social and Rehabilitation Service official, title XIX of the Social Security Act does not specifically provide for or prohibit the payment of inpatient hospital days incurred for administrative reasons.

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Social and Rehabilitation Service officials told us an AN day has not been defined nor have Medicaid guidelines been issued regarding how long or for what reasons, other than the nonavailability of a skilled nursing facility bed, payment should be made for such days. The service did issue a memorandum indicating that the Medicaid program would pay for continued acute care in a hospital when a patient requires skilled care and a skilled nursing facility bed is not available.

In an October 9, 1970, memorandum to the Associate Regional Commissioner for Medical Services for Region VII, a Social and Rehabilitation Service official stated:

"\* \* \* If care in a skilled nursing home is needed, and no bed is available, continued stay in the hospital is medically necessary until such time as other arrangements can be made."

Officials were aware that AN days were being approved, but they did not know the amount of payment or the specific reasons for approval by the States. The Social and Rehabilitation Service is analyzing State practices regarding AN days and the impact of these practices on the effectiveness of State utilization control programs. As of June 16, 1976, data had been submitted by five Social and Rehabilitation Service regional offices.

At least 12,274 AN days were approved in the three States in our review during selected 6-month periods in 1974 and 1975 as shown below.

<u>State</u>	<u>6-month period</u>	<u>Cases</u>	<u>Number of approved An days</u>
Massachusetts	July - Dec. 74	631	9,962
Maryland	July - Dec. 74	183	1,879
Colorado	Oct. 74 - Mar. 75	101	433
<b>Total</b>		<u>915</u>	<u>12,274</u>

About 81 percent of the AN days were approved in Massachusetts. (See the enclosure for a listing of the States' reasons for approving AN days).

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We estimated that the cost of the 12,274 AN days to the Medicaid program was about \$1.3 million dollars; the Federal share was about \$661,000.

<u>State</u>	<u>Hospital cost</u>	<u>Cost of alternative care</u>	<u>Additional cost</u>
Massachusetts	\$1,347,000	\$248,000	\$1,099,000
Maryland	230,000	46,000	184,000
Colorado	<u>42,000</u>	<u>9,000</u>	<u>33,000</u>
Total	<u>\$1,619,000</u>	<u>\$303,000</u>	<u>\$1,316,000</u>

Lack of beds in lower cost facilities

The principal reason for approving AN days in Maryland and Massachusetts was that beds in lower cost facilities were not available. In Maryland about 69 percent (1,294 of 1,879) and in Massachusetts about 60 percent (5,946 of 9,962) of the AN days were approved for this reason. In Colorado only 81 days were approved because beds in lower cost care facilities were not available.

Massachusetts

Sixty percent (5,946) of the AN hospital days in Massachusetts were approved because available beds in lower cost facilities were not within a reasonable distance of the patients' homes. Over 80 percent of those days were approved because a bed in a skilled nursing facility or intermediate care facility was not available.

<u>Long-term facility</u>	<u>Number of</u>	
	<u>Cases</u>	<u>AN days</u>
Long-term hospital (note a)	63	1,012
Skilled nursing facility	98	2,303
Intermediate care facility	68	2,552
Rest home	<u>9</u>	<u>79</u>
Total	<u>238</u>	<u>5,946</u>

a/Long-term (chronic) hospitals provide care for those patients who cannot be cared for in a nursing home but no longer need care in an acute care hospital, i.e., patients requiring daily observation by a physician.

Many nursing homes refused to take Medicaid patients. Officials of the Massachusetts Federation of Nursing Homes stated that nursing homes are unwilling to take some patients because the State Medicaid reimbursement rate does not cover the cost of caring for them.

A 1-day survey conducted by the Massachusetts Department of Public Health on March 20, 1974, reported that 46 percent of vacant skilled nursing facility beds and 31 percent of vacant intermediate care facility beds were not open to Medicaid patients. The Massachusetts Department of Public Health is summarizing another 1-day survey made on March 10, 1976. An official stated that although specific percentages are not available, the survey shows that some vacant nursing home beds still are not open to Medicaid patients.

Maryland

We reviewed the records at 1 hospital in Maryland of 13 Medicaid patients who incurred AN days because of unavailable lower cost beds. All 13 patients had been discharged between July 1 and December 31, 1974. These patients required the following levels of care:

<u>Number of patients</u>	<u>Required level of care</u>	<u>Number of AN days</u>
6	Long-term hospital	128
<u>7</u>	Skilled nursing facility	<u>44</u>
<u>13</u>		<u>172</u>

State of Maryland officials said that there was a shortage of lower cost beds but that the shortage existed at the intermediate care facility level.

A Maryland Department of Health and Mental Hygiene bulletin dated February 1, 1976, was sent to administrators of acute general hospitals and stated that:

"\* \* \* 'The Maryland Medical Assistance Program will reimburse only for those services . . . determined to be medically necessary . . . .'  
It is clear that the PSPO's [professional

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standard review organization] 1/ responsibility is to determine the length of stay at the acute general hospital inpatient level of care. Since this is true, the medical necessity determination must be that of medical necessity at acute general inpatient level. Some PSRO's are now certifying days of the type that were formerly certified as 'social service' days. Such days must no longer be certified. In an attempt to clarify our meaning, a "social service" day is defined as a day of care that could have been provided at a lower level of care if proper placement had been achieved."

Additional reasons for approving AN days

In Colorado the principal reason cited for approving AN days was "other" for which 233, or about 54 percent, of the 433 AN days were approved. Included in this category were children awaiting adoption or placement in foster homes and battered children under police "hold."

In Maryland, 585 AN days were approved as "other social service reason." A further breakdown was not available. A Maryland official advised us that this category was used if the hospital was waiting for the State Protective Services agency to obtain custody of a child it suspected had been abused.

In a July 3, 1975, letter to the Social and Rehabilitation Service in Massachusetts, we reported that two reasons for AN days--children on legal hold awaiting placement outside their homes and children awaiting the deleading 2/ of their homes--needed correction.

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1/The 1972 Amendments to the Social Security Act provided for PSROs in which practicing physicians are to review services under Medicaid and Medicare. PSROs are being established by State or geographic area of a State.

2/Removal of lead-based paint.

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Children on legal hold were reported under the reason "legal complications prevent discharge." A total of 786 AN days in 97 cases were approved for this reason. We selected 18 cases at 3 Boston hospitals to determine why 175 AN days were approved. Sixteen of the 18 cases involved child abuse or neglect for which a total of 168 AN days were approved.

Massachusetts law requires that hospital officials report all suspected cases of child abuse and neglect to the Massachusetts Department of Public Welfare to determine whether the child should remain at home or be removed either with parental consent or by court order. If a decision is made to remove the child, the welfare department is responsible for placing the child in a foster home. AN days during the legal process are generally approved.

Massachusetts Department of Public Welfare officials said that not all cases were immediately assigned to a social worker due to a lack of staff. They believed that this was the primary cause for the delays in placing the children in foster homes. An official stated that as of April 22, 1975, there were no unassigned cases in Boston; however, because of other problems, such as not enough foster homes, placement delays might still be occurring.

Children awaiting deleading of their homes were reported in the category "other." A total of 1,424 AN days in 146 cases were approved under the reason "other" and represented about 14 percent of the total AN days approved. Our analysis showed that one hospital had 42 cases amounting to 515 days, or 36 percent of the 1,424 days.

We reviewed 33 of those 42 cases and found that 30 cases (341 approved AN days) involved children treated for suspected lead paint poisoning. The hospital did not discharge a child until it was satisfied that the home had been delead unless the child's parents insisted that he be discharged. Another hospital treated lead paint poisoning cases on an outpatient basis.

In our letter to the Regional Commissioner, we concluded that Massachusetts should seek a less costly method to protect a child's well-being. In responding to the Regional Commissioner, the Massachusetts Commissioner of

Public Welfare agreed that the State is paying costly per diem rates for AN days. However, the Commissioner stated that our comparison of the methods used by two hospitals to treat children suffering from lead paint poisoning was unfair. He believed that the parents of the children treated on an outpatient basis are better educated, can be counseled while treatment is in process, and will meet scheduled appointments, and therefore, it is possible to treat these children on an outpatient basis.

The Commissioner agreed that lower cost care should be sought and said that his department would investigate the matter. He added that AN days would continue to be paid until an alternative is found.

#### MEDICARE PAYMENTS FOR AN DAYS

The Medicare program will pay for hospital days for a patient who requires skilled care but a skilled nursing facility bed is not available. Social Security Administration officials told us that Medicare regulations do not require the separate reporting of such AN days, and of the three States reviewed, only Colorado recorded this information.

#### Colorado

The Social Security Administration awarded a contract effective June 1, 1973, to the Colorado Foundation for Medical Care to operate a hospital preadmission and length-of-stay certification program, known as the Colorado Admissions Program, for Medicare. (In June 1974, the foundation was awarded a contract as a conditional PSRO for Colorado.)

The Colorado Admissions Program identifies hospital AN days approved and used under Medicare. The program reported that 386 Medicare recipients discharged between October 1, 1974, and March 31, 1975, used 1,806 AN days, or about 0.5 percent of the total hospital days used by Medicare patients. We estimate that the 1,806 days cost the Medicare program about \$114,000 more than the care would have cost in lower cost facilities.

Five hundred and sixty-two AN days (31 percent) were approved because beds were not available in lower cost facilities, and 1,244 (69 percent) were approved for other reasons. We believe that payment for the 1,244 days should

not have been approved because Medicare regulations do not permit paying for AN days except when skilled care is required and a skilled nursing facility bed is not available. We brought this matter to the attention of Bureau of Health Insurance officials who said they would evaluate the reasons why the 1,244 AN days were approved for payment. The officials said that many of these AN days may be authorized by the waiver-of-liability provision which allows payment for up to 3 days following the day the individual or hospital is given notice of noncoverage.

#### Massachusetts

At our request, from December 23, 1974, through January 31, 1975, one of the three fiscal intermediaries serving Massachusetts maintained a record of AN days billed because no skilled nursing facility bed was available. During this 5-week period 1,622 AN days were billed. The intermediary approved payment for 1,191 of the AN days and disapproved 431 AN days because the patients were receiving care at a level lower than skilled nursing facility care.

We estimate that the 1,191 AN days cost about \$70,000 more than the care would have cost in a skilled nursing facility. If the sample results are representative of a full year, the annual additional costs to the Medicare program in Massachusetts could be \$600,000.

#### INADEQUATE REPORTING OF AN DAYS

The systems used to report AN days under the Medicaid program differed in the three States. There is no requirement for reporting AN days under the Medicare program, but Colorado compiled this information for Medicare patients under a contract with Social Security Administration. PSROs which are being established would seem to be a good point to accumulate this data in a standard system under both the Medicare and Medicaid programs.

#### Medicaid

Colorado, Maryland, and Massachusetts have established statewide utilization review systems for services provided to Medicaid recipients in acute care hospitals.



Effective August 1, 1973, the Colorado State Department of Public Welfare contracted with the Colorado Foundation for Medical Care to monitor all Medicaid hospital admissions and continuing lengths of stay under the Colorado Admissions Program.

In March 1973, the Maryland Foundation for Health Care contracted with the Maryland Department of Health and Mental Hygiene to monitor all Medicaid admissions to acute care hospitals, including one in Washington, D.C., under the Maryland Admissions Review Program. The program became effective in October 1973 and was discontinued in October 1975 at which time six PSROs assumed the responsibility for monitoring hospital admissions.

In July 1973, the Massachusetts Department of Public Welfare contracted with the Commonwealth Institute of Medicine, Inc., to establish a Commonwealth Hospital Admission Monitoring Program which began monitoring Medicaid patients in October 1973.

Under each system a discharge record is completed for each patient, which includes the length of hospital stay and a record of extensions. The number of days certified as social service or as AN is identified, and a reason is given for each approved extension of a hospital stay.

As shown in the enclosure, the 3 States used 12 reasons for approving AN days. For each case with approved AN days, Massachusetts identified both the level at which care could have been given and the reason why the care was not provided at that level. Maryland and Colorado did not separate cases in a similar manner.

#### Medicare

The Social Security Administration does not distinguish between AN days and medically necessary days. They are both reported as covered hospital days. Administration officials acknowledged that payment was being made for AN days, but they did not know the number of days.

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B-164031(3)

Professional standards  
review organizations

Although the PSRO Program Manual authorizes payment for AN days when beds in lower cost facilities are not available, there is no requirement to identify and report AN days. However, on April 19, 1976, the Director of the Bureau of Quality Assurance of the Health Services Administration sent a draft memorandum to PSRO Planning, Conditional, and Support Center Organizations and Public Health Service Regional PSRO Consultants which stated:

"The role of the PSRO is to accurately distinguish truly medically necessary hospital utilization from days used for reasons such as convenience to patient, family or physician, administrative reasons, or reasons due to lack of available alternative levels of care."

The memorandum pointed out that the PSRO should notify the payment agency of the date that the patient was informed that services at the hospital level of care were no longer medically necessary. It should also notify the payment agency whether or not it feels continued hospital stay is medically necessary instead of placing the patient at another institutional level of care when no bed is available at the specified alternative level of care. The memorandum also pointed out the need for close communications between the PSRO and Medicaid and Medicare paying agencies. The memorandum further pointed out that Medicaid payment for administrative days is the prerogative of the State and therefore varies from State to State.

Health systems agencies

The National Health Planning and Resources Development Act of 1974 (Public Law 93-641) became effective January 4, 1975, and provided for, among other things, the development of areawide and State planning for health services, manpower, and facilities. This planning is to be accomplished by (1) the establishment of health service areas throughout the United States and (2) the establishment of a health system agency within each such area.

Health system agencies are to promote the development of health services, manpower, and facilities which meet identified needs and which reduce inefficiencies. The law

also provides that the agencies obtain and analyze data concerning the use of the health care delivery system, the area's health resources (including facilities), and health resources utilization patterns. A PSRO transmittal dated April 5, 1976, pointed out the need for coordination between health system agencies and PSROs. The transmittal stated that:

"PSROs can best supply information on the quality of medical care and data on utilization that HSAs [health system agencies] will need to assess the need for new and existing health facilities. HSAs can plan on a priority basis for needed alternate level of care facilities if a PSRO review determines that inappropriately long hospital stays were caused by lack of alternate long term care facilities."

In this regard, we believe that data on AN days obtained by PSROs would be useful to health system agencies or any other area health planning group.

#### CONCLUSIONS

The Medicare and Medicaid programs are paying for thousands of days of care in hospitals when care in lower cost facilities is appropriate. Our review indicates that HEW officials do not know the number of AN days paid for under the programs or the specific reasons for their approval. We believe that program officials should have this information and should determine whether more beds in lower cost facilities can be made available to Medicare and Medicaid patients needing other than hospital care.

The three States in our review used different reasons for approving AN days. Medicaid did not have regulations or guidelines for approving AN days other than permitting payment for hospital care when a skilled nursing facility bed was not available. Medicare authorized payment for AN days only when a patient required skilled care but a skilled nursing facility bed was not available.

We believe that there should be a standard system for reporting AN days and uniform criteria for authorizing payment under both programs. The States and fiscal intermediaries should be required to report to HEW the reasons

B-164031(3)

for approving AN days and the type of facility which could provide appropriate care.

We further believe that the issuance in final form of the Bureau of Quality Assurance's April 19, 1976, draft memorandum should assist in the proper identification of AN days. The data on AN days should be evaluated to determine ways to reduce their number. Also, the data on AN days should be provided to appropriate health system agencies or other area health planning groups in geographic areas where a large number of AN days might indicate a lack of beds in certain lower cost facilities.

RECOMMENDATIONS TO THE SECRETARY  
OF HEALTH, EDUCATION AND WELFARE

We recommend that you seek ways to reduce the number of AN days for which payment is made under the Medicare and Medicaid programs. In this connection HEW should:

- Establish regulations identifying those situations where Medicaid payment for AN days is authorized although acute hospital care is not medically necessary.
- Require the States and fiscal intermediaries to identify payments for all AN days and report the reasons for the AN days.
- Evaluate data collected on AN days to determine ways to reduce the delay between the time acute hospital care ends and the time a patient is placed in an available lower cost facility.
- Provide data on AN days to appropriate health system agencies or other health planning groups in geographic areas where a large number of AN days might indicate a lack of beds in certain lower cost facilities.

We are sending copies of this letter to the responsible Senate and House Committees and Subcommittees and to the Director, Office of Management and Budget.

B-164031(3)

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We would appreciate your comments on these matters and hope you will advise us of any actions taken.

Sincerely yours,

  
Gregory J. Ahart  
Director

Enclosure

ADMINISTRATIVELY NECESSARY DAYS APPROVED

BY STATE AND REASON FOR APPROVAL

<u>Reason</u>	<u>Number of AN days</u>		
	<u>Colorado</u>	<u>Maryland</u>	<u>Massachu- setts</u>
1. Arrangements are being made to transfer the patient	93	-	-
2. Patient awaiting adoption or placement in foster home	-	-	-
3. Police hold or legal complications prevent discharge (e.g., battered children) (note a)	-	-	786
4. Other	b/233	c/585	1,424
5. No facility available (note d)	81	1,294	5,946
6. No transportation available	26	-	-
7. Welfare office failed to make eligibility determination prior to the termination of medical necessity for acute care	-	-	217
8. Hospital had insufficient time between time of transfer order and termination of acute medical necessity to locate a bed	-	-	337
9. The patient or family refused the available placement arranged by the hospital	-	-	294
10. Appropriate bed available but facility refused patient because of special care problems	-	-	691
11. Home care arranged but family then refused to take patient	-	-	126
12. No Medicaid application filed because patient unconscious	-	-	141
Total	<u>433</u>	<u>1,879</u>	<u>9,962</u>

a/Police hold is used by Colorado and Maryland; legal complications prevent discharge is used by Massachusetts.

b/Some of these days should be included under reasons two and three. We were unable to obtain a breakdown.

c/Some of these days should be included under reason number three. We were unable to obtain a breakdown.

d/Massachusetts adds "within a reasonable distance."

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