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St. Joseph Medical Center not certified by Medicare system

Hospital likely losing millions in reimbursement

By Andrea K. Walker,
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The University of Maryland St. Joseph Medical Center failed a critical federal inspection and has been unable to collect what is likely millions of dollars in Medicare reimbursements from the federal government since Dec. 1.

As part of its takeover of the troubled St. Joseph that day, the University of Maryland voluntarily gave up a certification needed to bill Medicare and applied for a new one. The university health system wanted to disassociate itself from problems the hospital faced under its previous owner, Denver-based Catholic Health Initiatives.

A federal inspection days after the acquisition turned up shortcomings at St. Joseph. As a result, the Centers for Medicare & Medicaid Services (CMS) could not issue what is known as a Medicare provider agreement to St. Joseph. As of Tuesday, it could not be determined why St. Joseph failed the inspection.

The federal agency conducted a second survey in February, but the results are not complete.

In the meantime, the hospital can't bill Medicare and may be losing money it will never recover, according to federal guidelines.

St. Joseph continues to treat patients in the Medicare program, which serves the elderly, disabled adults and people with permanent kidney failure. But one hospital analyst said it probably is costing the hospital dearly. According to the American Hospital Association, Medicare accounts for 41 percent of hospital revenue, on average.

"University of Maryland is a large system and certainly can afford it, but it has to be very expensive," said Joshua Nemzoff, president of Nemzoff & Co., a New Hope, Pa.-based hospital acquisitions consulting firm.

St. Joseph had \$223.5 million in inpatient charges for fiscal year 2012, which ended June 30, according to the state Health Services Cost Review Commission. Of that, Medicare cases represented \$121.5 million, or 54 percent of all charges, according to the commission, which uses hospital finances to help set the state's hospital rates.

St. Joseph officials declined to speak in detail about the status of its Medicare certification, but said patient care would not change while certification is sought.

"Our focus continues to be on taking care of patients and delivering the highest-quality patient care — the medical system corporate office is working through the logistics with CMS, and I am confident that the details will be sorted out soon," said Dr. Mohan Suntha, St. Joseph's CEO.

In a statement, the medical system called the process of getting a new Medicare provider agreement complicated and the inspections routine.

"It is common to have items identified during the survey that the hospital needs to address. We are awaiting word from CMS on details of their latest survey so that we can respond accordingly," the medical system said in a statement.

The Centers for Medicare & Medicaid Services said it will not retroactively pay St. Joseph for any Medicare patients it treats while it doesn't have certification.

"The effective date of the hospital's participation in Medicare will be the date it submits an acceptable plan of correction, and that is the earliest date the hospital will be permitted to bill for services," the agency said in a statement.

Hospital officials, who declined to say how much money St. Joseph is losing, said they would worry about possible back payments at a later time.

"Our focus at the moment is obtaining the new CMS provider agreement," said Mary Lynn Carver, a medical system spokeswoman. "Any discussion with CMS regarding payment for services we have provided to Medicare patients since we took over operations of the hospital in December is a separate matter that will be taken up at a later time."

The University of Maryland bought St. Joseph as the hospital struggled to recover from troubles that started when star cardiologist Mark Midei was accused of putting unnecessary stents in heart patients. Midei has denied any wrongdoing, but had his medical license revoked.

The case has resulted in hundreds of patient lawsuits and challenged the reputation of the hospital, which has lost patients and doctors and reported steep revenue declines.

In most hospital acquisitions, the Medicare certification is transferred to the new owners, Nemzoff said. However, Maryland applied for a new agreement due in part to St. Joseph's previous issues, he said.

The university is not responsible for any previous lawsuits under its agreement with previous owner Catholic Health. But it could have been responsible for any previous Medicare fraud issues if it had kept the old Medicare certification, Nemzoff said.

"If you still have the previous [certification] number, you are still liable for it," Nemzoff said. "If Medicare comes back and says you owe me \$25 million because of fraud, you have to pay it."

St. Joseph, when owned by Catholic Health, previously paid the federal government \$22 million to settle allegations of a kickback scheme involving the cardiology practice where Midei once worked and to repay Medicare payments received for stents he implanted.

Last week, Catholic Health agreed to pay the federal government \$4.9 million for overbilling the Medicaid and Medicare systems by unnecessary hospital stays from 2007 to 2009.

It is unclear when St. Joseph could receive certification, but the hospital said it is cooperating with federal officials.

"We understand CMS needs to follow these processes to issue a new provider number and we are fully committed to following their process, which we anticipate we will be completed in the near future," University of Maryland officials said in a statement.

Nemzoff said the University of Maryland is a large and competent system, and he expects the hospital will eventually get certification.

"I would assume they knew the risk [of new certification] when they took over the hospital," he said.

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