
Upcoding¹

The Scenario

The auditor was conducting a comparison of provider statements of services to those billed to Tricare Management Activity (Tricare) by a third party billing agency.² The auditor noted the following information:

- A physician reported treating several patients for flu symptoms during the winter. However, the third party billing agency upcoded all of the claims and charged each patient for an office visit and diagnosis of bronchitis and sinusitis, which resulted in a higher reimbursement rate paid to the provider.³
- Physicians operating at an out patient facility used the Current Procedural Terminology (CPT) code 99213 to bill most services for office visits for Tricare members.⁴ However, the third party billing agency consistently changed the CPT code to 99214. The cost for procedure code 99213 was \$45.68; however, the 99214 procedure code cost was \$71.50. The auditor concluded that the change from CPT code 99213 to 99214 resulted in excess charges totaling \$300,000.
- During the audit, a review of Tricare Explanation of Benefits (EOB) forms and corresponding CPT codes submitted by a third party billing agency was conducted.⁵ The auditor randomly selected fifty patients receiving out patient medical treatment during the past month and requested voluntary responses describing their diagnosed illnesses and types of treatments received. The auditor then compared the patients responses to the CPT code documented on the EOB forms. The auditor identified one instance where the CPT code assigned by the third party billing agency did not accurately describe the type of medical treatment received. Specifically, a patient claimed to visit a dermatologist for a routine skin cancer screening and Tricare was charged for removing a cancerous growth.

General Comments / Lessons Learned. Upcoding is a common scheme used by providers or third party billing agencies to obtain higher reimbursement rates for medical services. A third party billing agency can also use a clearinghouse to submit

¹ Medical providers use a standardized system of numerical codes for patient services. Each billing code is tied to a particular group of services and will result in a reimbursement to the health care provider. Misuse of the standardized codes to obtain more money than is allowed by law is commonly termed upcoding or upcharging. (<http://whistleblowerlaws.com>)

² A provider is defined as a person or entity that provides healthcare services and includes physicians, nurse practitioners, physical therapists, laboratories, and hospitals.

³ A provider can submit claims directly to Tricare or use a third party billing agency or clearinghouse to file claims on their behalf. In some cases, a provider will give the third party billing agency information regarding the medical services provided and the billing agency will determine the appropriate reimbursement rate code based on this information.

⁴ CPT codes are developed by the American Medical Association.

⁵ EOB forms contain information on medical treatments provided to Tricare members.

reimbursement claims electronically. In these situations, the clearinghouse could also engage in the fraudulent practice of upcoding. In general, beneficiaries may not be aware of upcoding schemes because EOB forms do not contain detailed information on the type of medical care received.

FRAUD INDICATORS

- **Comparison of provider statements of services to those billed by a third party billing agency or clearinghouse shows a pattern of upcoding.**
- **A third party billing agency or clearinghouse changes Current Procedural Terminology codes submitted by the provider to obtain higher reimbursement rates.**
- **Explanation of Benefits forms contain charges for medical services that were not provided to the beneficiary.**