| moda HEALTH | Reimbursement Policy Manual | Policy #: | RPM071 |
|---|---|---|---|
| Policy Title: | Never Events, Adverse Events, Hospital-Acquired Conditions (HAC), and Serious Reportable Events (SRE) | | |
| Section: | Administrative | Subsection: | None |

**Scope:** This policy applies to the following Medical (including Pharmacy/Vision) plans:

| | |
|---|---|
| **Companies:** | ☒ All Companies: Moda Partners, Inc. and its subsidiaries & affiliates<br>☐ Moda Health Plan ☐ Moda Assurance Company ☐ Summit Health Plan<br>☐ Eastern Oregon Coordinated Care Organization (EOCCO) ☐ OHSU Health IDS |
| **Types of Business:** | ☒ All Types ☐ Commercial Group ☐ Commercial Individual<br>☐ Commercial Marketplace/Exchange ☐ Commercial Self-funded<br>☐ Medicaid ☐ Medicare Advantage ☐ Short Term ☐ Other: _____ |
| **States:** | ☒ All States ☐ Alaska ☐ Idaho ☐ Oregon ☐ Texas ☐ Washington |
| **Claim forms:** | ☒ CMS1500 ☒ CMS1450/UB (or the electronic equivalent or successor forms) |
| **Provider Type:** | Serious Reportable Events related to surgery (wrong procedure, wrong body part, etc.) apply to surgical procedures performed in any setting, including the office.<br>The remainder of this policy applies primarily to facilities, Inpatient hospitals, Outpatient hospitals, Ambulatory Surgery Centers, etcetera. |
| **Date:** | ☒ All dates ☐ Specific date(s): _____<br>☐ Date of Service; For Facilities: ☐ n/a ☐ Facility admission ☐ Facility discharge<br>☐ Date of processing |
| **Provider Contract Status:** | ☒ Contracted directly, any/all networks<br>☒ Contracted with a secondary network ☒ Out of Network |

| | | | |
|---|---|---|---|
| Originally Effective: | 1/11/2010 | Initially Published: | 5/9/2019 |
| Last Updated: | 7/10/2024 | Last Reviewed: | 7/10/2024 |
| Last update includes payment policy changes, subject to 28 TAC §3.3703(a)(20)(D)? No | | | |
| Last Update Effective Date for Texas: | | 7/10/2024 | |

## Reimbursement Guidelines

### A. General Policy Statement

We follow CMS Hospital Acquired Conditions (HAC) and Serious Reportable Events (SRE) policies.

### B. Billing Requirements

Hospitals are expected to:

1. Submit claims with accurate diagnosis codes following current guidelines.
2. Accurately report present on admission information for both primary and secondary diagnoses using the Present On Admission (POA) indicator.
3. Remain fully familiar with the CMS list of Hospital-Acquired Conditions (HAC) and Seriously Reportable Events (SRE).

**C. Effect on Reimbursement**

1. Never Events (NE) include the categories of HAC and SRE. The reimbursement rules for these events are indicated below.
2. Moda Health applies the CMS list of Hospital-Acquired Conditions (HAC) categories or Serious Reportable Events (SRE) which is current for the date of service.
3. If the secondary diagnosis falls underneath one of CMS's HAC categories, and review of medical records determines a hospital-acquired condition has occurred:
    a. For DRG reimbursement, the DRG will be reduced. The claim will be reimbursed as if the HAC secondary diagnosis was not on the claim.
    b. For other reimbursement methodologies, all services and supplies related to the HAC diagnosis will be denied to facility responsibility prior to payment of the claim.
    c. For Never Events all supplies and services for treatment of the Never Event will be denied to facility responsibility prior to reimbursement.
4. Wrong surgery, wrong body part, wrong patient.

    Per Medicare Job Aid JA6405, CMS does not cover services when the wrong surgery procedure is performed, or the correct procedure is performed on the wrong body part or wrong patient. This rule applies to all settings (office, ASC, OPPS, IPPS), and all providers in the operating room (surgeon, assistant, anesthesia, perfusionist, etc.) (CMS[8])

## Codes, Terms, and Definitions

**Acronyms & Abbreviations Defined**

| Acronym or Abbreviation | Definition |
|---|---|
| AE | Adverse Event |
| AMA | American Medical Association |
| CCI | Correct Coding Initiative (see "NCCI") |
| CMS | Centers for Medicare and Medicaid Services |
| CPT | Current Procedural Terminology |
| DRG | Diagnosis Related Group (also known as/see also MS DRG) |
| HAC | Hospital-acquired condition |
| HCPCS | Healthcare Common Procedure Coding System<br>(acronym often pronounced as "hick picks") |
| HIPAA | Health Insurance Portability and Accountability Act |
| MS DRG | Medicare Severity Diagnosis Related Group (also known as/see also DRG) |
| NCCI | National Correct Coding Initiative (aka "CCI") |
| NE | Never event |
| NQF | National Quality Forum |
| POA | Present On Admission |
| RPM | Reimbursement Policy Manual (e.g., in context of "RPM052" policy number, etc.) |
| SRE | Serious reportable event |
| UB | Uniform Bill |

Definition of Terms

| Term | Definition |
|---|---|
| Adverse Event | When a member experiences an abnormal, harmful, or undesirable effect as a result of care provided in a healthcare setting. |
| Hospital-acquired condition | Conditions which:<br>(a) Are high cost or high volume or both. (CMS[1])<br>(b) Result in the assignment of a case to a DRG that has a higher payment when present as a secondary diagnosis.<br>(c) Could reasonably have been prevented through the application of evidence-based guidelines.<br>(d) Were not present on admission.<br><br>CMS maintains a list of hospital-acquired conditions which are not eligible to increase the DRG or claim payment if the condition was not present on admission. |
| Never event | CMS - Non-reimbursable serious hospital-acquired conditions.<br>AHRQ PSNet[2] - Particularly shocking medical errors that should never occur. |
| Serious reportable event | CMS[6] - Errors in medical care which are clearly identifiable, largely[2] preventable, serious in their consequences for patients, and that indicate a real problem in the safety and credibility of a health care facility.<br><br>Examples include:<br>Surgery on the wrong body part; foreign body left in a patient after surgery; mismatched blood transfusion; major medication error; severe "pressure ulcer" acquired in the Hospital; and preventable post-operative deaths.<br>NQF[3] - Preventable events which cause or could cause significant patient harm. |
| Sentinel event | An unexpected occurrence involving death or serious physiological or psychological injury, or the risk thereof.<br><br>The Joint Commission has recommended that hospitals report "sentinel events" since 1995. The NQF's Never Events are also considered sentinel events by the Joint Commission. (PSNet[2]) |

CMS Present On Admission (POA) Indicators (CMS[9]):

| Indicator | Indicator Description | Payment |
|---|---|---|
| Y | Diagnosis was present at time of inpatient admission. | CMS will pay the CC/MCC DRG for those selected HACs that are coded as "Y" for the POA Indicator. |
| N | Diagnosis was not present at time of inpatient admission. | CMS will not pay the CC/MCC DRG for those selected HACs that are coded as "N" for the POA Indicator. |
| U | Documentation insufficient to determine if the condition was present at the time of inpatient admission. | CMS will not pay the CC/MCC DRG for those selected HACs that are coded as "U" for the POA Indicator. |
| W | Clinically undetermined. Provider unable to clinically determine whether the condition was present at the time of inpatient admission. | CMS will pay the CC/MCC DRG for those selected HACs that are coded as "W" for the POA Indicator. |

| Indicator | Indicator Description | Payment |
|---|---|---|
| 1 | Unreported/Not used. Exempt from POA reporting. This code is equivalent to a blank on the UB-04, however; it was determined that blanks are undesirable when submitting this data via the 4010A. | CMS will not pay the CC/MCC DRG for those selected HACs that are coded as "1" for the POA Indicator.<br>The "1" POA Indicator should not be applied to any codes on the HAC list.<br>For a complete list of codes on the POA exempt list, see the Official Coding Guidelines for ICD-10-CM. |

Modifier Definitions:

| Modifier | Modifier Description & Definition |
|---|---|
| PA | Surgical or other invasive procedure on wrong body part |
| PB | Surgical or other invasive procedure on wrong patient |
| PC | Wrong surgery or other invasive procedure on patient |

Surgical Error Codes:

Used on form CMS1450 (UB-04), TOB 110, Form Locator (FL) 80 (Remarks), or the 837i (electronic) claim form, Loop 2300.

| Error Code | Surgical Error Code Definition |
|---|---|
| MX | For a wrong surgery on patient |
| MY | For surgery on the wrong body part |
| MZ | For surgery on the wrong patient |

## Coding Guidelines & Sources - (Key quotes, not all-inclusive)

"For discharges occurring on or after October 1, 2008, hospitals will not receive additional payment for cases in which one of the selected conditions was not present on admission. That is, the case would be paid as though the secondary diagnosis were not present." (CMS[1])

"CMS also required hospitals to report present on admission information for both primary and secondary diagnoses when submitting claims for discharges on or after October 1, 2007." (CMS[1])

## Cross References

A. "Moda Health Reimbursement Policy Overview." Moda Health Reimbursement Policy Manual, RPM001.

B. "Facility Guidelines, General Overview." Moda Health Reimbursement Policy Manual, RPM065.

## References & Resources

1. CMS. "Hospital-Acquired Conditions (Present on Admission Indicator)." https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalAcqCond/index.html . Last updated 3/8/2019: Last accessed 4/22/2019.

2. AHRQ PSNet. "Never Events." The Agency for Healthcare Research and Quality (AHRQ) Patient Safety Network (PSNet). https://psnet.ahrq.gov/primers/primer/3/never-events . January 2019: April 22, 2019.
3. National Quality Forum (NQF). *Phrase Book; A Plain Language Guide to NQF Jargon*. Washington, DC: NQF.
4. National Quality Forum (NQF). *Serious Reportable Events In Healthcare—2011 Update: A Consensus Report.* Washington, DC: NQF; 2011.
5. Lembitz, Alan and Clarke, Ted J.. "Clarifying "Never Events and Introducing "Always Events"." *Patient Safety in Surgery*. 2009, Volume 3: 26. http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2814808/#.
6. CMS. "Eliminating Serious, Preventable, And Costly Medical Errors - Never Events." CMS Fact Sheet: May 18, 2006. https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2006-Fact-sheets-items/2006-05-18.html .
7. CMS. "ICD-10 HAC List." *Centers for Medicare and Medicaid Services.* https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalAcqCond/icd10_hacs.html . Last updated 8/30/2018: Last accessed 4/22/2019.
8. CMS. "Wrong Surgical or Other Invasive Procedure Performed on a Patient; Surgery or Other Invasive Procedure Performed on the Wrong Body Part; and Surgical or Other Invasive Procedure Performed on the Wrong Patient – JA6405." https://www.cms.gov/Medicare/Medicare-Contracting/ContractorLearningResources/downloads/JA6405.pdf . Last updated January 22, 2010: Last accessed April 22, 2019.
9. CMS. "Hospital-Acquired Conditions And Present On Admission Indicator Reporting Provision." MLN Fact Sheet. ICN 901046 October 2017. Last accessed April 27, 2021. https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/wPOA-Fact-Sheet.pdf .
10. NQF. "List of Serious Reportable Events (aka SRE or 'Never Events')." National Quality Forum. Last accessed April 27, 2021. https://www.qualityforum.org/Topics/SREs/List_of_SREs.aspx .

## Background Information

Never events (NE), adverse events (AE), hospital-acquired conditions (HAC), and serious reportable events (SRE) are types of conditions or events which have negative health effects and are monitored, tracked, and reported. In some cases, the cost of services and care for these conditions is not reimbursable. There are similarities, differences, and some overlap between these categories of conditions.

The term "Never Event" was first introduced in 2001 by Ken Kizer, MD, former CEO of the National Quality Forum (NQF), in reference to particularly shocking medical errors—such as wrong-site surgery—that should never occur. Over time, the term's use has expanded to signify adverse events that are unambiguous (clearly identifiable and measurable), serious (resulting in death or significant disability), and usually preventable. Since the initial never event list was developed in 2002, it has been revised multiple times, and now consists of 29 "serious reportable events" grouped into 7 categories:

- Surgical or procedural events
- Product or device events
- Patient protection events
- Care management events

- Environmental events
- Radiologic events
- Criminal events (AHRQ PSNet[2], NQF[10])

In October 2008 CMS adopted the non-reimbursement policy for certain "never events" - defined as "non-reimbursable serious hospital-acquired conditions" - in order to motivate hospitals to accelerate improvement of patient safety by implementation of standardized protocols. These selected conditions limit the ability of the hospitals to bill Medicare for adverse events and complications, if they were not present on admission. The non-reimbursable conditions apply only to those events deemed "reasonably preventable" through the use of evidence-based guidelines. However, it should be noted that some experts believe many of the non-reimbursable CMS "never events" are not completely preventable, even with the best practice of evidence-based treatment. (Lembitz & Clarke[5])

## IMPORTANT STATEMENT

The purpose of this Reimbursement Policy is to document our payment guidelines for those services covered by a member's medical benefit plan. Healthcare providers (facilities, physicians, and other professionals) are expected to exercise independent medical judgment in providing care to members. Our Reimbursement Policy is not intended to impact care decisions or medical practice.

Providers are responsible for submission of accurate claims using valid codes from HIPAA-approved code sets and for accurately, completely, and legibly documenting the services performed. Billed codes shall be fully supported in the medical record and/or office notes. Claims are to be coded appropriately according to industry standard coding guidelines (including but not limited to UB Editor, AMA, CPT, CPT Assistant, HCPCS, DRG guidelines, CMS' National Correct Coding Initiative [CCI] Policy Manual, CCI table edits and other CMS guidelines).

Benefit determinations will be based on the member's medical benefit plan. Should there be any conflicts between our Reimbursement Policy and the member's medical benefit plan, the member's medical benefit plan will prevail. Fee determinations will be based on the applicable provider fee schedule, whether out of network or participating provider's agreement, and our Reimbursement Policy.

Policies may not be implemented identically on every claim due to variations in routing requirements, dates of processing, or other constraints; we strive to minimize these variations.

***** The most current version of our reimbursement policies can be found on our provider website. If you are using a printed or saved electronic version of this policy, please verify the information by going to https://www.modahealth.com/medical/policies_reimburse.shtml *****

## Policy History

| Date | Summary of Update |
|---|---|
| 7/10/2024 | Formatting updates. No policy changes. |
| 8/9/2023 | Formatting updates. No policy changes. |
| 12/14/2022 | Formatting updates. No policy changes. |
| 6/8/2022 | Updated Acronyms. Formatting updates. No policy changes. |
| 5/9/2019 | Policy initially approved by the Reimbursement Administrative Policy Review Committee & initial publication. |
| 1/1/2010 | Original Effective Date (with or without formal documentation). Policy based on CMS Hospital Acquired Conditions (HAC) and Serious Reportable Events (SRE) policies. |

| Date | Summary of Update |
| --- | --- |
| | (CMS[1, 6, 7, 8, 9]) |