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**MEMORANDUM NO. 21J-2012**

**TO: City and Borough of Juneau Hospital Board**  
**FROM: Sonosky, Chambers, Sachse, Miller & Munson, LLP**  
**RE: Billing Issues**

This is to report on the investigation and audit of certain billing errors related to Emergency Department provider services.

In April, 2012, the Patient Financial Services Director reported that certain Emergency Department physician and non-physician provider charges to Medicare and Medicaid were being submitted under incorrect provider names. The Director determined that a number of Emergency Department providers were not fully or properly enrolled in the Medicare and Medicaid programs, and in some cases had not been for many years. In order to bill for those providers' services, Patient Financial Services staff had followed a practice of submitting Medicare and Medicaid billings under the name of an enrolled Emergency Department physician. Additionally, certain non-physician provider services were billed to Medicare and Medicaid at the physician billing rate without documentation that a physician had seen the patient. These long-standing practices are not allowed by federal law.

The Patient Financial Services Director immediately stopped the billing practices. The Hospital Board directed our firm and the hospital's outside accounting firm to investigate the matter, audit the billings and resolve any issues that might exist with the federal government due to those practices. In cooperation with the City and Borough's Department of Law, and with the

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active and extremely helpful support of the hospital's billing and financial staff, we reviewed the situation in depth over the course of the summer. This involved interviews, a detailed audit of the problematic billings and discussions with the appropriate federal authorities.

Overall, the problematic billings amounted to approximately 0.02% of the hospital's Medicare and Medicaid billings from 2006 through 2012. The incorrect billings will need to be paid back to the federal and state governments. Because the incorrect billing practices had been in place for so long, the audit determined, the amounts that will need to be repaid are \$648,227 in Medicare billings and \$308,216 in Medicaid billings.

The billing error was based on a mistaken interpretation of the federal regulations applicable to Medicare and Medicaid funding. The investigation and audit did not find any indication of intent to defraud, nor did the audit find any misappropriation of funds. All of the services that were billed were in fact provided by licensed, credentialed physicians and other health care providers. We are presently discussing with the federal government whether additional amounts will be owed in penalties as a result of the past billing practices. The standard requirement to close out a matter of this nature is repayment at a multiplier of 1.5 times the billing error. In the meantime, we strongly recommend that the Hospital Board and Administration take affirmative steps to strengthen and expand the hospital's regulatory compliance program and to fully encourage a "culture of compliance" at Bartlett Regional Hospital.

Please let us know if you have any questions or comments concerning this matter.

Respectfully submitted,

SONOSKY, CHAMBERS, SACHSE,  
MILLER & MUNSON, LLP

*/s/ Richard D. Monkman*

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