

STATE OF LOUISIANA

OFFICE OF STATE INSPECTOR GENERAL



LSU HEALTH CARE SERVICES DIVISION INTERIM LSU PUBLIC HOSPITAL

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File No. CID-12-042

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BOBBY JINDAL
GOVERNOR

STEPHEN B. STREET, JR.
STATE INSPECTOR GENERAL

State of Louisiana
Office of the Governor
Office of State Inspector General

May 15, 2014

Honorable Bobby Jindal
Governor of the State of Louisiana
P.O. Box 94004
Baton Rouge, LA 70804-9004

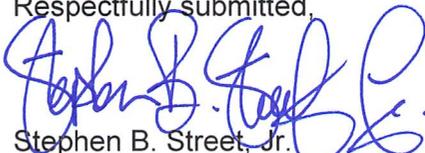
Re: Case No. CID-12-042

Dear Governor Jindal:

This report addresses concerns raised about improper billings by Kinetic Concepts, Inc., a medical supply vendor with Interim LSU Public Hospital in New Orleans. This report includes two recommendations. These recommendations, which Interim LSU Public Hospital has already implemented as a result of our investigation, will serve to help prevent future excessive spending of state funds.

We provided drafts of the report to Interim LSU Public Hospital staff and Kinetic Concepts, Inc. The response we received is included as Appendix A.

Respectfully submitted,



Stephen B. Street, Jr.
State Inspector General

SBS/jm

Enclosure

Executive Summary

The Office of Inspector General received a complaint which alleged that Kinetic Concepts, Inc. (KCI), a medical supply vendor, inappropriately billed Interim LSU Public Hospital in New Orleans (IPH) for the use of wound vacs, devices which are used to assist in the healing of open wounds. We determined that erroneous billing caused the unnecessary expenditure of \$83,491 in public funds in the following areas:

- We identified 21 instances totaling \$64,317 in which invoices were billed to patient “Missing in Action.” These invoices were explained to us as being for wound vacs that could not be found at the hospital. Per the executed contract with Kinetic Concepts, Inc., IPH was responsible for 75% of the cost of the first lost wound vac, 50% of the cost for the second lost unit, and 25% of the cost for the third lost unit. IPH was responsible for 100% of the cost of all subsequent lost units.

In 19 of the instances identified, the unit reported as “Missing in Action” was placed on another patient at IPH or delivered to another hospital within 90 days. KCI billed IPH rental fees of \$64 per day for the missing units. The KCI contract does not allow for rental payments for missing units. It does state, however, that if wound vacs reported as lost are “returned to KCI in good working condition within 90 days of original notice to KCI of the lost unit,” KCI will refund the amount paid for the lost unit; thus, IPH should not have been billed for the units. The other two instances involved wound vac units that IPH agreed were missing. IPH was billed for rental days associated with the missing units in addition to the contract’s permitted costs for lost units. The cost of the missing units was eventually forgiven as a provision of IPH’s purchase of 15 units at \$28,500 each.

- On at least 18 occasions, individual wound vac units were billed for use on two patients simultaneously, causing the unnecessary expenditure of \$9,271. The units can only be used on one patient at a time.
- Documentation from IPH showed 22 instances in which KCI billed the hospital for wound vac units that appear to have not been used by any patients. The total cost of these invoices is \$6,108.
- A review of invoices identified six instances in which KCI billed IPH a total of \$3,795 when the patients’ first and last names were listed on the invoice as “Unknown, Unknown” and the patients’ locations within the hospital were listed as “Unknown.” IPH had no documentation to show that the wound vacs were on any patients during the dates charged on the invoices.

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Background

The Interim LSU Public Hospital in New Orleans is part of the Louisiana State University Health Care Services Division (LSUHCSO). On June 24, 2013, the hospital engaged in a public-private partnership with Louisiana Children's Medical Center, which removed LSUHCSO from managing the hospital.

LSUHCSO contracted with KCI to provide its wound care patients with Negative Pressure Wound Therapy Systems, also known as wound vac units. IPH was included in this contract along with five other hospitals under LSUHCSO in south Louisiana.

The terms of the contract state that IPH does not own the units; however, an agreed upon number of units were stored at the hospital and available for patient use when needed. IPH phased out the use of older ABThera units in late 2011 and replaced them with the newer InfoV.A.C. units.

KCI bills the hospital a rental fee for each day that a unit is assigned to a patient. This cost is paid directly by the hospital. The contract also states that the ABThera units will be serviced and cleaned at the hospital, while the InfoV.A.C. units will be picked up by a KCI service technician and taken off-site to be cleaned and serviced.

On March 29, 2011, IPH entered into an agreement with KCI to purchase 15 InfoV.A.C. units at a cost of \$28,500 per unit. The new units were put into service in June 2012. IPH now rents wound vacs from KCI only when more than 15 patients require a unit.



InfoV.A.C. and ABThera Therapy Unit images from KCI's website www.kci1.com.

Scope and Methodology

We conducted our audit in accordance with Principles and Standards for Offices of Inspector General as promulgated by the Association of Inspectors General.

The scope of the audit was limited to the timeframe of January 2010 through April 2012. This audit included a review of documentation from both IPH and KCI. We also interviewed IPH employees and KCI employees.

Units Billed as “Storage – Missing In Action”

During the time that IPH was renting the wound vac units from KCI, IPH opted to follow the Facility Based Placement Requirements addendum of the KCI contract and keep the units on-site at the hospital. This addendum authorizes KCI to audit IPH’s “usage of the Storage Units and, where appropriate, to make adjustments that align billing with product usage.” These audits also served to identify wound vac units that should have been at IPH, but could not be located.

Another addendum to the KCI contract was the Lost VAC Policy, which dictated the procedures that the hospital was to follow upon realizing that a wound vac was missing. This addendum states that IPH’s “damages for loss or theft [of the unit] shall be at a 75% discount of the current lost asset charge for the first unit lost, 50% discount for the second unit lost, and 25% discount for the third unit lost. All subsequent units lost will be billed at 100% of the current lost asset charge.”

IPH employees stated that the KCI sales representative assigned to the hospital routinely gave them lists of wound vac units that he was unable to locate. IPH was given three chances to locate the missing units and if they were not found, KCI was allowed to bill IPH according to the terms of the contract. However, we found that KCI also billed IPH rental fees of \$64 per day for “Missing in Action” units. Our review of the invoices identified 21 instances where a wound vac unit was billed to IPH for missing in action rental days. The total of these invoices billed to IPH was \$64,317.

The contract with KCI does not provide for KCI to assess IPH rental charges for the missing units. It does state however, that if the unit “is returned to KCI in good working condition within 90 days of original notice to KCI of the lost unit, KCI will refund the full amount” that IPH paid for the lost unit.

In 19 of the instances identified, the units billed as “Missing in Action” were placed on other patients at IPH or delivered to other hospitals within 90 days of being reported missing; thus, IPH should not have been billed for the units. The other two instances involved wound vac units that IPH agreed were missing. IPH was billed for rental days associated with the missing units and for the applicable cost per the contract’s Lost VAC Policy. The contractual cost of these missing units was forgiven as a stipulation of the Purchase Order that IPH submitted to purchase 15 wound vacs at a cost of \$28,500 per unit.

Units Being Double Billed

We reviewed and analyzed the invoices that IPH paid between January 2010 and April 2012. We noted 18 instances in which wound vac units were billed on two patients simultaneously, either for the entire rental period or a portion of the two patients' rental periods. Those 18 instances of double billing caused the unnecessary expenditure of \$9,271 in public funds.

Every wound vac unit that IPH rented has a unique serial number used for billing purposes. Using KCI's online ordering system, called KCI Express, IPH employees log in and enter the serial number of the vac unit assigned to each patient, along with the dates of use. IPH employees may also call a KCI representative to enter the same information into the system. The invoices that KCI sent to IPH contain the following information: Product Billed, Serial Number, Order Number, Patient Name/Location, Ship Dates (Dates of Service), Quantity, Unit of Measure, and Price. KCI generates monthly invoices for the machine rentals using the information from KCI Express.

IPH and KCI employees confirmed that due to the nature of the wound vac's function, which is to assist in the healing process of open wounds, a unit can only be utilized on one patient at a time and must be sanitized between patients.

Units Not Used By Patients

During our review of the invoices and internal documentation provided by IPH, we found 22 instances in which KCI billed IPH for wound vac rental days when, for various reasons, the units appear to not have been used by the patients. IPH was unnecessarily billed \$6,108 for wound vacs that were not used on patients, causing an unnecessary expenditure of public funds. These 22 instances can be broken down as follows:

- Three instances where wound vacs were requested but returned unused to IPH's on-site storage.
- Six instances where wound vacs were removed from the patients but billing continued past the removal date.
- Three instances where billing began for wound vac units before IPH documentation shows the units were placed on patients.
- Four instances where the requested wound vac unit was returned because the patient already had a wound vac unit.
- Six instances where the wound vac unit was returned because it was either broken or dirty. Per the contract, InfoV.A.C. units will be picked up by a KCI service technician and taken off-site to be cleaned and serviced.

Units Billed to “Unknown” Patient

Upon reviewing all of the invoices, we noted six instances totaling \$3,795 where the patient’s first and last names were listed on the invoices as “Unknown, Unknown” and the patient’s locations within the hospital were listed as “Unknown.” IPH had no documentation to show that the wound vac machines were on any patients for the timeframes noted on these invoices. Two of the instances occurred during February 2010 and the other four instances occurred near the end of April 2011.

IPH employees explained that there are valid reasons why the hospital does not list patients’ names on medical records or other internal hospital documentation. For example, if a patient could not be immediately identified, his initial paperwork and medical information might include a pseudonym, such as “Unknown, Alaska” until the patient’s name becomes known. One employee stated that IPH usually names the patients after states or other neutral objects. IPH documentation related to invoices with patient pseudonyms other than Unknown, Unknown appears to show that these patients are legitimate and used the wound vac units that were requested and billed by KCI.

Recommendations

1. We found that Interim Public Hospital overpaid \$83,491 due to erroneous invoices from KCI. IPH should consider seeking reimbursement of this amount from KCI.
2. Interim Public Hospital should ensure that its employees responsible for handling wound vac units and related supplies are properly trained in documenting the units’ usage and location when assigned to and removed from each patient. Accurate and timely documentation will decrease the likelihood of billing errors, which cause the unnecessary expenditure of public funds.

APPENDIX A

Responses

KCI's Response



VIA EMAIL AND UPS

May 1, 2014

Stephen B. Street, Jr.
Louisiana State Inspector General
602 North 5th Street
Ste. 621
Baton Rouge, LA 70801

Re: Case No. CID-12-042

Dear Mr. Street:

In connection with our recent communication with State Investigator Tom Boulton, KCI has amended its original response letter.

Please accept the following in response to your letter of March 14, 2014 enclosing a draft investigative report relating to the above referenced case. Kinetic Concepts, Inc. (KCI) appreciates the opportunity to respond to the draft report but respectfully disagrees with the findings contained in it.

KCI prides itself on providing quality products and excellent customer service. When KCI initially responded to billing questions raised by the Louisiana State Inspector General in this case, a few examples of alleged billing errors were provided to KCI. KCI was then able to investigate those instances and provide an appropriate response disputing any claims by the facility of improper charges. KCI hoped to similarly respond to each alleged error identified in the draft report and requested the information and documentation the Louisiana State Inspector General relied upon in preparing it. However, KCI was subsequently advised that the Louisiana State Inspector General is prevented from providing the specific information and documentation requested by KCI pursuant to LSA-R.S. 49:220.25. Unfortunately, without this information KCI is unable to provide a more substantive response beyond stating that it disputes the report's findings and recommendation as to any alleged overpayments by Interim Public Health (IPH).

Although KCI disputes the findings and recommendations and cannot reasonably comment without further information, KCI certainly desires to reach an appropriate resolution. However, in the few examples provided during the investigation it was apparent that IPH's actions played a significant part in the disputed placements, a point emphasized in the report's findings and recommendations. For this reason KCI cannot agree to this office's repayment recommendations for these additional billing situations without being provided a reasonable opportunity to investigate and respond.

Thank you for your attention to this matter. Should you require any additional information or have further questions of KCI, please feel free to contact me at the address or phone number below at any time.

Sincerely,
KCI USA, Inc.

By: /s/ Rebecca Simmons
Rebecca Simmons
Associate General Counsel – Litigation

cc:
Jennifer Monteleone, State Auditor
Tom Boulton, State Investigator

**LSU Health Care Services Division
Response**

Mr. Stephen B. Street
 State Inspector General
 Post Office Box 94095
 Baton Rouge, Louisiana 70804-4262

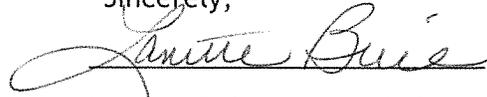
Dear Mr. Street,

In regard to the draft investigative report dated March 12, 2014, Case No. CID-12-042, I concur with the findings stated in the executive summary. The following action plan is in place to address the current issue and to avoid future occurrences.

Action	Responsible Party	Target Date and Progress
1. Seek reimbursement from KCI with appropriate documentation of services.	Lanette Buie, Deputy CEO, HCSD	The HCSD CBO will send a detailed request to KCI for reimbursement immediately when the case is deemed official and admissible to share findings.
2. Ensure that IPH puts processes in place for accurate and timely documentation to decrease the likelihood of billing errors.	Lanette Buie, Deputy CEO, HCSD <i>Note: IPH is no longer a constituent of HCSD. Ms. Buie will notify the partner CEO currently responsible for operations for IPH of the following:</i> Employees responsible for handling wound vac units and related supplies require: <ul style="list-style-type: none"> • proper training in documenting the units' usage and location when assigned to and removed from each patient. • accurate and timely documentation will decrease the likelihood of billing errors, which cause the unnecessary expenditure of public funds. 	When the case is deemed official and admissible to share findings, communication with the Children's-Touro public-private partner will ensue immediately.

I appreciate the thorough report with details to address and avoid further issues. Please do not hesitate to contact me for any additional information needed.

Sincerely,

A handwritten signature in black ink that reads "Lanette Buie". The signature is written in a cursive style with a long, sweeping underline that extends to the left and then loops back under the name.

Lanette Buie, Deputy CEO

Health Care Services Division