

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services



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## The Importance of Correctly Coding the Place of Service by Physicians and Their Billing Agents

### Provider Types Affected

This article is for physicians and their billing agents who submit claims to Medicare Carriers or Medicare Administrative Contractors (A/B MACs) for services provided to Medicare beneficiaries.

### Provider Action Needed



#### **STOP – Impact to You**

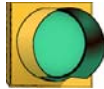
Incorrectly coding the place of service code on your claims could result in overpayments that will need to be recovered.

#### Disclaimer

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**CAUTION – What You Need to Know**

The Centers for Medicare & Medicaid Services (CMS) reminds physicians and their billing agents of the importance of correctly coding the place of service and the need for appropriate controls to prevent billing Medicare with incorrect place of service codes.

**GO – What You Need to Do**

It is extremely important that you correctly code the place of service on Part B claims. Using non-facility place-of-service codes for services that are actually performed in hospital outpatient departments or Ambulatory Surgical Centers (ASCs) often results in overpayments. You must insure you have adequate controls in your (or your billing agent's) billing routines to identify potential place-of-service coding errors.

## Background

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### *Medicare Part B Payments for Physician Services*

Medicare Part B pays for services that physicians provide to Medicare beneficiaries. Physician services include medical and surgical procedures, office visits, and medical consultations. These services may be provided in facility settings, such as hospital outpatient departments and freestanding Ambulatory Surgical Centers (ASCs), or in non-facility locations, such as physician offices, urgent care centers, and independent clinics.

Physicians are paid for services according to the Medicare physician fee schedule. This schedule is based on a payment system that includes three major categories of costs required to provide physician services: practice expense, physician work, and malpractice insurance.

### *Medicare Reimbursement for Practice Expense*

Practice expense reflects the overhead costs involved in providing a service. To account for the increased practice expense that physicians generally incur by performing services in their offices and other non-facility locations, Medicare reimburses physicians at a higher rate for certain services performed in these locations rather than in a hospital outpatient department or an ASC. Physicians are required to identify the place of service on the health insurance claim forms that they submit to Medicare contractors. The correct place-of-service code ensures that Medicare does not incorrectly reimburse the physician for the overhead portion of the service when the service is performed in a facility setting.

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Medicare claim form instructions specifically state that each provider or practitioner is responsible for becoming familiar with Medicare coverage and billing requirements. Some physician offices submit their own claims to Medicare; other offices hire billing agents to submit their claims. Physicians are responsible for any Medicare claims submitted by billing agents.

### ***Audit Finding of the Office of the Inspector General (OIG)***

The OIG conducted an audit to determine whether physicians correctly coded non-facility places of service on selected Part B claims submitted to and paid by Medicare contractors. That report, titled "REVIEW OF PLACE-OF-SERVICE CODING FOR PHYSICIAN SERVICES PROCESSED BY MEDICARE PART B CARRIERS DURING CALENDAR YEAR 2007", is available to the public at <http://oig.hhs.gov/oas/reports/region1/10900503.asp> on the OIG website.

Basically, the OIG found that, in many instances, physicians are incorrectly coding the place-of-service code. Specifically, in a very large portion of the claims audited, physicians used non-facility place-of-service codes on their claims for services that were actually performed in hospital outpatient departments or ASCs. This led to overpayments by Medicare on these claims. Medicare does recover these overpayments so it is critical to code correctly and avoid overpayments.

## **Additional Information**

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To find an overview of place of service coding as well as a list of the appropriate codes, visit <http://www.cms.gov/PlaceofServiceCodes/> on the CMS website. If you have any questions, please contact your carrier or A/B MAC at their toll-free number, which may be found at <http://www.cms.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

***News Flash*** - It's Not Too Late to Give and Get the Flu Vaccine. Take advantage of each office visit and continue to protect your patients against the seasonal flu. Medicare will continue to pay for the seasonal flu vaccine and its administration for all Medicare beneficiaries through the entire flu season. The Centers for Disease Control and Prevention (CDC) recommends that patients, health care workers and caregivers be vaccinated against the seasonal flu. Protect your patients. **Protect your family. Protect yourself. Get Your Flu Vaccine - Not the Flu.**

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