

	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:	<input checked="" type="checkbox"/> All Companies: Moda Partners, Inc. and its subsidiaries & affiliates <input type="checkbox"/> Moda Health Plan <input type="checkbox"/> Moda Assurance Company <input type="checkbox"/> Summit Health Plan <input type="checkbox"/> Eastern Oregon Coordinated Care Organization (EOCCO) <input type="checkbox"/> OHSU Health IDS			
Types of Business:	<input checked="" type="checkbox"/> All Types <input type="checkbox"/> Commercial Group <input type="checkbox"/> Commercial Individual <input type="checkbox"/> Commercial Marketplace/Exchange <input type="checkbox"/> Commercial Self-funded <input type="checkbox"/> Medicaid <input type="checkbox"/> Medicare Advantage <input type="checkbox"/> Short Term <input type="checkbox"/> Other: _____			
States:	<input checked="" type="checkbox"/> All States <input type="checkbox"/> Alaska <input type="checkbox"/> Idaho <input type="checkbox"/> Oregon <input type="checkbox"/> Texas <input type="checkbox"/> Washington			
Claim forms:	<input checked="" type="checkbox"/> CMS1500 <input checked="" type="checkbox"/> 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. The remainder of this policy applies primarily to facilities, Inpatient hospitals, Outpatient hospitals, Ambulatory Surgery Centers, etcetera.			
Date:	<input checked="" type="checkbox"/> All dates <input type="checkbox"/> Specific date(s): _____ <input type="checkbox"/> Date of Service; For Facilities: <input type="checkbox"/> n/a <input type="checkbox"/> Facility admission <input type="checkbox"/> Facility discharge <input type="checkbox"/> Date of processing			
Provider Contract Status:	<input checked="" type="checkbox"/> Contracted directly, any/all networks <input checked="" type="checkbox"/> Contracted with a secondary network <input checked="" type="checkbox"/> Out of Network			
Originally Effective:	1/11/2010	Initially Published:	5/9/2019	
Last Updated:	12/14/2022	Last Reviewed:	12/14/2022	
Last update includes payment policy changes, subject to 28 TAC §3.3703(a)(20)(D)? No				
Last Update Effective Date for Texas:		12/14/2022		

Reimbursement Guidelines

A. General Policy Statement

Moda Health follows 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, OPPTS, IPPS), and all providers in the operating room (surgeon, assistant, anesthesia, perfusionist, etc.) (CMS⁸)

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 (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)

Acronym or Abbreviation		Definition
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	<p>Conditions which:</p> <ul style="list-style-type: none"> (a) Are high cost or high volume or both. (CMS¹) (b) Result in the assignment of a case to a DRG that has a higher payment when present as a secondary diagnosis. (c) Could reasonably have been prevented through the application of evidence-based guidelines. (d) Were not present on admission. <p>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.</p>
Never event	<p>CMS - Non-reimbursable serious hospital-acquired conditions.</p> <p>AHRQ PSNet² - Particularly shocking medical errors that should never occur.</p>
Serious reportable event	<p>CMS⁶ - Errors in medical care which are clearly identifiable, largely² preventable, serious in their consequences for patients, and that indicate a real problem in the safety and credibility of a health care facility.</p> <p>Examples include: 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.</p> <p>NQF³ - Preventable events which cause or could cause significant patient harm.</p>
Sentinel event	<p>An unexpected occurrence involving death or serious physiological or psychological injury, or the risk thereof.</p> <p>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. (PSNet²)</p>

CMS Present On Admission (POA) Indicators (CMS⁹):

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.
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. The "1" POA Indicator should not be applied to any codes on the HAC list. 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.” (CMS¹)

“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.” (CMS¹)

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 PSNet², NQF¹⁰)

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 & Clarke⁵)

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
12/14/2022	Format/Update Scope, States: Idaho added. Cross References: Hyperlinks added.
6/8/2022	Formatting/Update: Change to new header. Acronym table: 9 entries added. Policy History section: Added. Entries prior to 2022 omitted (in archive storage).
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. (CMS ^{1, 6, 7, 8, 9})