

Raleigh-based WakeMed has agreed to pay \$8 million to settle an investigation into its practice of billing Medicare for expensive overnight hospital stays even though the patients had been treated and discharged the same day. The settlement resolves criminal charges brought by the U.S. Attorney for the Eastern District of North Carolina. The charges against WakeMed stemmed from a 2007 audit conducted by federal regulators assigned to combat Medicare fraud. The audit revealed that WakeMed had the highest rate in North Carolina and the seventh-highest rate in the country of "zero-day stay" billings, or charges to Medicare for in-patient hospital stays that lasted less than a day. The cases flagged by investigators were all from WakeMed's Heart Center, a significant money maker for the hospital. During the subsequent investigation, hospital administrators were unable to adequately explain the billing irregularities.

The federal investigation revealed that nurses in the hospital's Heart Center Observation Area routinely ignored physicians' orders about how a patient should be classified. This resulted in the hospital receiving millions of dollars in Medicare benefits that should not have been paid for outpatients who were classified wrongly as inpatients. The misclassification of hospital visits as "overnight stays" greatly increased the Heart Center's billing during the period in question.

As a result of the investigation, the hospital faces two criminal charges - making false statements relating to healthcare matters and aiding and abetting. Under a deferred prosecution agreement, the charges will be dismissed in two years so long as the hospital complies with provisions in the settlement agreement, including payment of \$8 million and cooperating with additional billing monitoring. The settlement was announced last week by the Eastern District U.S. Attorney.

Read the **News & Observer** article.