November 2026 | OEI-02-24-00230

Medicare Could Put Billions of Dollars To Better Use by Adjusting Hospital Payments To Be Consistent with the Updated Definition of Sepsis

Why OIG Did This Review

- Sepsis is the body's extreme response to an infection that requires treatment. OIG, CMS, and the Department of Justice have had longstanding concerns about the potential for hospitals' overuse of sepsis in billing.
- Medicare uses a broad definition of sepsis that was developed in 1991. Under this definition, a fever and elevated heart rate with an infection can be considered sepsis.
- Medicare typically pays hospitals more for stays billed with a sepsis diagnosis as opposed to other diagnoses for infections, such as pneumonia.
- The definition of sepsis was updated by experts in 2016 to better differentiate sepsis from uncomplicated, more general infections. This more precise definition includes the element of organ dysfunction and is widely accepted by numerous medical organizations both within the United States and internationally.
- However, Medicare still uses the older, broad definition for billing and payment purposes.

What OIG Found

Hospitals included a sepsis diagnosis in about **1 in 10 inpatient stays** that they billed in FY 2024 under the broad definition that Medicare uses.

Medicare **could have put an estimated $2.2 billion to better use** in FY 2024 had hospital payments been consistent with the updated definition of sepsis.

Billing for sepsis stays varied widely among hospitals, **raising concerns that some may be leveraging the broad definition to maximize their Medicare payments**.

What OIG Recommends

1. CMS should adjust hospital payments to reduce the financial incentive to bill sepsis stays.
2. CMS should use its monitoring of hospitals' billing for sepsis stays to take appropriate follow-up actions.

CMS neither concurred nor nonconcurred with our two recommendations and asked that they be removed. OIG maintains the importance of both recommendations for reducing the incentive for hospitals to bill sepsis stays to maximize Medicare payments. OIG did not remove the recommendations.