

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

We made a commitment in our previous Fraud Prevention System (FPS) work to assess why the FPS's reported amounts that were reasonably expected to be prevented or recovered (adjusted savings) were such a small percentage of the FPS's identified savings, particularly for overpayment determinations and law enforcement referrals. These payment recovery administrative actions have the most significant FPS adjustment factors (used to calculate adjusted savings from the identified savings) and account for a large share of the reported differences.

Our objectives were to determine (1) why the FPS's adjusted savings for overpayment determinations and law enforcement referrals were approximately 10 percent of the identified savings for its second and third implementation years and (2) whether the manner in which CMS reported FPS savings after the third implementation year provides stakeholders with sufficient information to assess the value of the FPS accurately.

How OIG Did This Review

We obtained an understanding of the identified savings valuation process for FPS overpayment determinations and law enforcement referrals. We obtained an understanding of the various challenges associated with recovering FPS overpayments. We also reviewed the savings and return on investment (ROI) figures that CMS reported for the FPS after the third implementation year.

The Centers for Medicare & Medicaid Services Could Improve Its Processes for Evaluating and Reporting Payment Recovery Savings Associated With the Fraud Prevention System

What OIG Found

The FPS's adjusted savings for overpayment determinations and law enforcement referrals were approximately 10 percent of the identified savings for its second and third implementation years because (1) the Medicare administrative contractors' (MACs') opportunities to collect FPS-identified overpayments were often limited by both the time it took to get referrals from the Program Integrity Contractors and by unique challenges in attempting to recover overpayments from providers and (2) CMS has not established a standard process for the Program Integrity Contractors to estimate the value of law enforcement referrals.

CMS's reported FPS savings and ROIs after the third implementation year gave stakeholders an incomplete picture of the FPS's value because CMS has continued to rely primarily on identified savings for its reporting. After the third implementation year (from January 1, 2015, through September 30, 2016), almost two-thirds of the FPS's total identified savings reported by CMS have come from FPS payment recovery administrative actions. Historically, the overwhelming majority of the identified savings from payment recovery administrative actions have not been recovered. Reporting adjusted savings and the corresponding adjusted ROI in addition to identified savings would provide a more complete picture of the value of the FPS.

What OIG Recommends and CMS Comments

We recommend that CMS (1) continue to work with the Program Integrity Contractors and the MACs to develop strategies that improve timely coordination to give the MACs a better opportunity to recover overpayments, (2) establish a uniform methodology for the Program Integrity Contractors to use when reporting estimates for the value of law enforcement referrals, and (3) update the FPS's law enforcement referral adjustment factor.

In written comments on our draft report, CMS concurred with our recommendations and described the steps that it has taken or planned to take to implement our recommendations.