

Report in Brief

Date: April 2020

Report No. A-01-16-00508

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



Why OIG Did This Audit

Under the inpatient psychiatric facility (IPF) prospective payment system (PPS), Medicare pays IPFs a standard per diem rate for inpatient services, modified for patient- and facility-level characteristics and length of stay. In addition, the IPF PPS includes an outlier payment policy that makes an additional payment in cases with unusually high costs to limit financial losses to IPFs.

For this audit, we focused on claims that resulted in outlier payments because the number of those claims increased by 28 percent from fiscal year (FY) 2014 to FY 2015, and total Medicare payments for those claims (including the outlier payment portion) increased from \$450 million to \$534 million (19 percent).

Our objective was to determine whether IPFs complied with Medicare coverage, payment, and participation requirements for services provided in FYs 2014 and 2015 that resulted in outlier payments.

How OIG Did This Audit

Our audit covered 36,120 inpatient claims with nearly \$1 billion in total Medicare payments. We reviewed a stratified random sample of 160 claims. We obtained medical and billing records from IPFs in our sample. Both OIG and a qualified medical review contractor reviewed the records. In addition, we interviewed officials at the Centers for Medicare & Medicaid Services (CMS), a Medicare administrative contractor, and a subset of the IPFs in our sample.

An Estimated 87 Percent of Inpatient Psychiatric Facility Claims With Outlier Payments Did Not Meet Medicare's Medical Necessity or Documentation Requirements

What OIG Found

For our 160 sampled claims, we found that CMS paid 25 claims that did not meet Medicare medical necessity requirements for some or all days of the stay. Based on our sample results, we estimated that Medicare overpaid IPFs \$93 million for FYs 2014 and 2015 for stays that were noncovered or partially noncovered and resulted in outlier payments. However, if the patients had been treated in different settings, Medicare might have covered those treatments. In addition, 142 claims had missing or inadequate medical record elements, including physician certifications. Of those 142 medical records, 12 did not clearly support that the IPF had protected the patient's right to make informed decisions regarding care. We estimated that 87 percent of IPF claims for FYs 2014 and 2015 with outlier payments did not meet Medicare medical necessity or medical record requirements. CMS oversight activities were not adequate to prevent or detect the IPFs' errors.

Finally, we identified three additional areas of concern: (1) outlier payments may have been made for stays that were not unusually costly, (2) beneficiaries used lifetime reserve days to help pay for days when they no longer required inpatient hospitalization but for the unavailability of appropriate posthospitalization placements, and (3) CMS did not track patient falls or fall rates at IPFs.

What OIG Recommends and CMS's Comments

We made seven recommendations to CMS. Although our audit covered only IPF inpatient claims that resulted in outlier payments, our recommendations are relevant to nonoutlier claims. CMS concurred with our recommendations to (1) increase the number of postpayment reviews to provide more feedback to IPFs, (2) promulgate regulations on the patient's right to make informed decisions regarding care, (3) study the accuracy of the outlier payment methodology, and (4) consider tracking patient falls or fall rates.

CMS did not concur with our recommendations to research whether the physician certification requirements are useful in preventing inappropriate payments and then take appropriate followup action. Nor did CMS concur with our recommendation that, in the interim, CMS require certifications to be in a specific format to aid in auditing. Finally, CMS did not concur with our recommendation to study the lifetime reserve day issue. After considering CMS's comments, we stand by our recommendations.