Medicare Made $11.7 Million in Overpayments for Nonphysician Outpatient Services Provided Shortly Before or During Inpatient Stays

What OIG Found
Medicare made incorrect payments to outpatient providers for 40,984 nonphysician outpatient services provided nation-wide within 3 days before the date of admission, on the date of admission, or during IPPS stays (excluding date of discharge) that we reviewed. These incorrect payments occurred because the Common Working File (CWF) edits were not designed to accurately identify all potentially incorrect claims.

As a result, Medicare made $11.7 million in incorrect payments to hospital outpatient providers during CYs 2016 and 2017. This includes claims beyond the 4-year reopening period. In addition, beneficiaries incurred $2.7 million in coinsurance and deductible liabilities related to these incorrect payments.

What OIG Recommends and CMS Comments
We recommend that CMS ensure that all necessary information is included in the CWF edits to accurately identify and prevent incorrect payments for nonphysician outpatient services provided within 3 days before the date of admission, on the date of admission, or during IPPS stays. We also recommend that CMS direct the Medicare contractors to (1) recover the portion of $11.7 million in identified overpayments (for claims within the 4-year reopening period) resulting from the 40,984 incorrectly billed services; (2) instruct the outpatient providers to refund the portion of the $2,785,607 in deductible and coinsurance amounts (for claims within the 4-year reopening period) that may have been incorrectly collected from beneficiaries or from someone on their behalf; (3) notify the appropriate providers so that the providers can exercise reasonable diligence to identify, report, and return any overpayments in accordance with the 60-day rule and identify any of those returned overpayments as having been made in accordance with this recommendation; and (4) educate outpatient providers on how to correctly bill nonphysician outpatient services provided within 3 days before the date of admission, on the date of admission, or during IPPS stays.

In written comments on our draft report, CMS concurred with all of our recommendations and described the actions that it had taken or planned to take to address them. For example, CMS stated that it is currently in the process of updating the automated system edits to accurately identify and prevent incorrect payments for nonphysician outpatient services provided within 3 days before the date of admission, on the date of admission, or during inpatient hospital stays.

The full report can be found at https://oig.hhs.gov/oas/reports/region1/11700508.asp.