

Report in Brief

Date: May 2020

Report No. A-01-17-00508

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



Why OIG Did This Audit

Prior OIG audits identified significant overpayments to hospital outpatient providers for nonphysician services furnished shortly before or during inpatient stays. In those audits, we recommended that the Centers for Medicare & Medicaid Services (CMS) recover overpayments, ensure that edits to prevent such overpayments were in place and working properly, and educate providers on the proper billing of nonphysician outpatient services. CMS generally concurred with our recommendations and implemented them. However, our analysis of recent claim data indicated that overpayments for nonphysician outpatient services might still be occurring. We performed this audit as a followup to our previous work.

Our objective was to determine whether Medicare payments to hospital outpatient providers were correct for nonphysician outpatient services provided within 3 days before the date of admission, on the date of admission, or during Inpatient Prospective Payment System (IPPS) stays (excluding date of discharge) for calendar years (CYs) 2016 and 2017.

How OIG Did This Audit

We identified inpatient claims from hospitals with service dates during the audit period. We used the beneficiary information and service dates from the inpatient claims to identify outpatient claims that overlapped with the inpatient claims for nonphysician outpatient services provided within 3 days before the date of admission, on the date of admission, or during IPPS stays.

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.