

Report in Brief

Date: October 2022

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



Why OIG Did This Audit

The Centers for Medicare & Medicaid Services (CMS) contracts with Medicare Advantage (MA) organizations and private prescription drug plan sponsors (collectively known as “sponsors”) to offer Part C and Part D managed care benefits to eligible Medicare beneficiaries. CMS relies on Part C and Part D sponsors to ensure that excluded, precluded, deactivated, and deceased providers (ineligible providers) do not receive payments for Medicare services.

We conducted a nationwide audit of Medicare Part C encounter data and Part D prescription drug event (PDE) data to identify ineligible providers associated with the data submitted to CMS by Part C and Part D sponsors. Our objective was to determine whether CMS oversight of Medicare Part C and Part D sponsors ensured compliance with Federal requirements for preventing payments for Medicare services to ineligible providers.

How OIG Did This Audit

We analyzed 1.46 billion encounters with \$438 billion in total allowed charges submitted by 770 Part C plans and 3 billion PDEs with \$234 billion in total drug plan payments submitted by 811 Part D plans for all services billed or rendered and prescriptions written for Medicare beneficiaries in calendar years 2018 and 2019.

CMS Generally Ensured That Medicare Part C and Part D Sponsors Did Not Pay Ineligible Providers for Services to Medicare Beneficiaries

What OIG Found

CMS generally ensured that sponsors complied with Federal requirements for preventing payments for Medicare services to ineligible providers. However, some sponsors submitted to CMS encounter and PDE data indicating that ineligible providers rendered services and wrote prescriptions for Medicare beneficiaries. We identified 136 Part C sponsors and 62 Part D sponsors that may have paid claims for health care services associated with ineligible providers. Specifically, these sponsors submitted data for 384,000 encounters with \$51.8 million in allowed charges and 24,000 PDEs with \$1.14 million in payments associated with ineligible providers.

The ineligible providers were able to submit these claims to plan sponsors because some sponsors may not have had effective compliance programs in place to prevent, detect, and correct noncompliance with CMS’s program requirements. Also, CMS may not have adequately monitored the sponsors to ensure that their compliance programs were effective. In addition, although Part D regulations expressly require sponsors and their pharmacy benefit managers to reject pharmacy claims unless they contain active and valid provider identification numbers, CMS does not have similar requirements for claims submitted to Part C sponsors. Additionally, CMS system edits did not properly work to identify all ineligible providers after sponsors submitted their encounter and PDE data to CMS. As a result, CMS used data from services associated with ineligible providers in its risk adjustment of capitation payments to the sponsors.

What OIG Recommends and CMS Comments

We made a series of recommendations for CMS to direct Part C and Part D sponsors to ensure that only eligible providers receive payments for Medicare services. We also recommended that CMS strengthen its oversight of sponsors and provider identifiers to prevent deactivated and deceased providers from receiving payments for Medicare services. The detailed recommendations are listed in the body of the report.

In written comments on our draft report, CMS concurred with one of our recommendations and requested that we remove our remaining recommendations. After reviewing CMS’s comments, we removed one recommendation and revised two recommendations to clarify their meaning. We maintain that our recommendations, as revised, are valid.