Hospitals Overbilled Medicare $1 Billion by Incorrectly Assigning Severe Malnutrition Diagnosis Codes to Inpatient Hospital Claims

What OIG Found
Hospitals correctly billed Medicare for severe malnutrition diagnosis codes for 27 of the 200 claims that we reviewed. However, hospitals did not correctly bill Medicare for the remaining 173 claims. For nine of these claims, the medical record documentation supported a secondary diagnosis code other than a severe malnutrition diagnosis code, but the error did not change the DRG or payment. For the remaining 164 claims, hospitals used severe malnutrition diagnosis codes when they should have used codes for other forms of malnutrition or no malnutrition diagnosis code at all.

What OIG Recommends and CMS Comments
To address the 164 incorrectly billed hospital claims in our sample, we recommend that the Centers for Medicare & Medicaid Services (CMS) collect the portion of the $914,128 for the incorrectly billed hospital claims that are within the reopening period and, based on the results of this audit, notify appropriate providers so that the providers can exercise reasonable diligence to identify, report, and return any overpayments in accordance with the 60-day rule. To attempt recovery of the overpayment, which we estimate to be valued at $1 billion, resulting from incorrectly billed hospital claims paid during our audit period and to ensure claims made after our audit period are correct, we made additional recommendations. One of the recommendations includes reviewing all claims that were not part of our sample but were within the reopening period. The detailed recommendations are in the full report.

CMS concurred with our recommendations and stated that it will instruct its contractors to recover the overpayments consistent with relevant law and CMS’s policies and procedures. However, CMS noted that the estimated overpayments we identified represent less than .5 percent of the overall payments made for inpatient services during the audit period. Despite this, CMS stated that it will instruct its contractors to review a sample of claims in the sampling frame to determine whether they were billed correctly. Of the claims that we reviewed, 82 percent were not correctly billed, which we maintain is significant and needs to be addressed. We continue to recommend that CMS review all claims in our sampling frame that were not part of our sample but were within the reopening period and work with the hospitals to ensure they correctly bill Medicare when using severe malnutrition diagnosis codes.