

Report in Brief

Date: November 2020

Report No. A-05-18-00045

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



Why OIG Did This Audit

This audit is part of a series of hospital compliance audits. Using computer matching, data mining, and other data analysis techniques, we identified hospital claims that were at risk for noncompliance with Medicare billing requirements. For calendar year 2017, Medicare paid hospitals \$206 billion, which represents 55 percent of all fee-for-service payments; accordingly, it is important to ensure that hospital payments comply with requirements.

Our objective was to determine whether Edward W. Sparrow Hospital (the Hospital) complied with Medicare requirements for billing inpatient and outpatient services on selected types of claims.

How OIG Did This Audit

We selected for review a stratified random sample of 100 claims with payments totaling \$1.4 million for our audit period (January 1, 2016, through December 31, 2017).

We focused our audit on the risk areas identified because of prior OIG audits at other hospitals. We evaluated compliance with selected billing requirements.

Medicare Hospital Provider Compliance Audit: Edward W. Sparrow Hospital

What OIG Found

The Hospital complied with Medicare billing requirements for 91 of the 100 inpatient and outpatient claims we reviewed. However, the Hospital did not fully comply with Medicare billing requirements for the remaining nine claims, resulting in overpayments of \$47,317 for the audit period. Specifically, five inpatient claims had billing errors, resulting in overpayments of \$46,464, and four outpatient claims had billing errors, resulting in overpayments of \$853. These errors occurred primarily because the Hospital did not have adequate controls to prevent the incorrect billing of Medicare claims within the selected risk areas that contained errors.

On the basis of our sample results, we estimated that the Hospital received overpayments of at least \$550,917 for the audit period.

What OIG Recommends and Hospital Comments

We recommend that the Hospital, based on the results of this audit, 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 strengthen its controls to ensure full compliance with Medicare requirements. See the report for additional details regarding the last recommendation.

In written comments on our draft report, the Hospital stated that it disagreed with our findings and partially concurred with one of our recommendations. The Hospital disagreed with our findings that the nine claims were incorrectly billed. Because the Hospital disagreed with these findings and intends to appeal, it does not concur with our recommendations to refund our estimated overpayment amount and to identify, report, and return any overpayments in accordance with the 60-day rule. Although the Hospital disagreed with our finding that it did not have adequate controls to prevent the errors noted in our draft report, it stated that it has and will continue to improve its controls.

After review and consideration of the Hospital's comments, we maintain that our findings, along with our second and third recommendations are valid. We have removed our first recommendation from this report because most of the incorrectly billed claims that we identified are now outside of the 4-year Medicare reopening period. We maintain that our findings remain valid errors and that the Hospital remains responsible for compliance with the 60-day rule and should strengthen its controls to ensure Medicare compliance.