Why OIG Did This Audit

Medicare makes supplemental payments to hospitals, known as outlier payments, which are designed to protect hospitals from significant financial losses resulting from patient-care cases that are extraordinarily costly. Unlike predetermined payment amounts for most Medicare hospital claims, outlier payments are directly influenced by hospital charges. We selected CHI St. Vincent Infirmary (St. Vincent) based on outpatient outlier payments increasing from $216,484 in 2013 to $1.4 million in 2014.

Our objective was to determine whether outpatient outlier payments received by St. Vincent were based on properly billed claims.

How OIG Did This Audit

Our audit covered 593 outpatient outlier payments totaling $1,694,991 paid to St. Vincent for services rendered July 1, 2014, through June 30, 2016. We selected a stratified random sample of 120 outlier payments totaling $622,742 for review. Because outlier payments are based on total charges, we retrieved the claim detail related to each outlier payment. We submitted the claims related to the 120 outlier payments to St. Vincent for them to review. We requested that St. Vincent verify that charges and codes on the claim were correct. Additionally, OIG reviewed outlier claims data for inconsistencies and claim support documentation for billing errors.

CHI St. Vincent Infirmary: Audit of Outpatient Outlier Payments

What OIG Found

St. Vincent properly billed 17 of the 120 sampled claims which had outliers totaling $41,606. However, St. Vincent did not properly bill the remaining 103 sampled claims which resulted in improper outlier payments during our audit period. These 103 claims, which had outliers totaling $581,136, contained 173 billing errors. The billing errors primarily occurred because St. Vincent did not have adequate controls to prevent errors related to overcharged time, charge errors, and coding errors.

What OIG Recommends and St. Vincent Comments

We recommend that St. Vincent amend the claims with errors to identify and return any improper outlier payments. We also recommended that St. Vincent improve procedures and provide education to ensure claims billed to Medicare are accurate.

In written comments to our draft report, St. Vincent did not explicitly agree or disagree with our recommendations; however, St. Vincent stated that it has already refunded the amounts specified in OIG’s first three recommendations. In addition, St. Vincent agreed with our first three findings regarding overcharged time, charge errors, and coding errors, and described corrective actions that it had taken or planned to take for each finding. St. Vincent did not agree or disagree with our fourth finding regarding its procedures not ensuring compliance with Federal requirements. Instead, St. Vincent stated that, based on OIG’s findings, it has updated policies and procedures, revised systems, extended training to staff and implemented enhanced monitoring to promote billing compliance.

The full report can be found at https://oig.hhs.gov/oas/reports/region6/61601002.asp.