

Report in Brief

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



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 Baylor Scott & White-College Station (College Station) based on outpatient outlier payments increasing from \$82,555 in 2015 to \$2.6 million in 2016.

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

How OIG Did This Audit

Our audit covered 669 outpatient outlier payments totaling \$2.1 million to College Station for services rendered January 1, 2016, through December 31, 2017. We selected a stratified random sample of 100 outlier payments totaling \$552,221 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 100 outlier payments to College Station for them to review. We requested that College Station verify that charges and codes on the claim were correct. Additionally, OIG reviewed outlier claim data for inconsistencies and claim support documentation for billing errors.

Baylor Scott & White – College Station: Audit of Outpatient Outlier Payments

What OIG Found

College Station properly billed the claims for 18 of the 100 sampled outlier payments totaling \$77,939. However, College Station did not properly bill the claims related to the remaining 82 outlier payments which resulted in improper outlier payments during our audit period. These 82 claims, which had outliers totaling \$474,282, contained 174 billing errors. The billing errors primarily occurred because College Station did not have adequate controls to prevent errors related to overcharged observation time, charge errors, and coding errors.

What OIG Recommends and College Station's Comments

We recommend that College Station refund to the Medicare contractor \$189,276 in estimated overpayments for incorrectly billed claims that are within the reopening period. We also recommended that College Station improve procedures, provide education, and implement changes to their billing system to ensure claims billed to Medicare are accurate.

In written comments on our draft report, College Station did not indicate concurrence or nonconcurrence with our recommendations; however, it described actions that it has taken or plans to take to address them. These actions include reviewing claims with less than 24 hours of observation services, updating its systems to appropriately identify and report self-administered drugs, providing education to Cardiology Department staff, and refunding the remaining portion of the \$189,276 in estimated overpayments for incorrectly billed claims. College Station has also undertaken an internal review of any liability outside of our audit; if any overpayments are identified, it will make refunds.