

Report in Brief

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



Why OIG Did This Audit

Under the Medicare Advantage (MA) program, the Centers for Medicare & Medicaid Services (CMS) makes monthly payments to MA organizations according to a system of risk adjustment that depends on the health status of each enrollee. Accordingly, MA organizations are paid more for providing benefits to enrollees with diagnoses associated with more intensive use of health care resources than to healthier enrollees, who would be expected to require fewer health care resources.

To determine the health status of enrollees, CMS relies on MA organizations to collect diagnosis codes from their providers and submit these codes to CMS.

For this audit, we reviewed one MA organization, Peoples Health Network (Peoples Health), and focused on seven groups of high-risk diagnosis codes. Our objective was to determine whether selected diagnosis codes that Peoples Health submitted to CMS for use in CMS's risk adjustment program complied with Federal requirements.

How OIG Did This Audit

We sampled 242 unique enrollee-years with the high-risk diagnosis codes for which Peoples Health received higher payments for 2015 through 2016. We limited our review to the portions of the payments that were associated with these high-risk diagnosis codes, which totaled \$712,200.

Medicare Advantage Compliance Audit of Specific Diagnosis Codes That Peoples Health Network (Contract H1961) Submitted to CMS

What OIG Found

With respect to the seven high-risk groups covered by our audit, most of the selected diagnosis codes that Peoples Health submitted to CMS for use in CMS's risk adjustment program did not comply with Federal requirements. For 144 of the 242 enrollee-years, the diagnosis codes that Peoples Health submitted to CMS were not supported in the medical records and resulted in \$412,938 in overpayments.

These errors occurred because the policies and procedures that Peoples Health had to detect and correct noncompliance with CMS's program requirements, as mandated by Federal regulations, were not always effective. On the basis of our sample results, we estimated that Peoples Health received at least \$3.3 million in overpayments for these high-risk diagnosis codes in 2015 and 2016.

What OIG Recommends and Peoples Health Comments

We recommend that Peoples Health (1) refund to the Federal Government the \$3.3 million in overpayments; (2) identify, for the high-risk diagnoses included in this report, similar instances of noncompliance that occurred before or after our audit period and refund any resulting overpayments to the Federal Government; and (3) enhance its existing compliance procedures to identify areas where improvements can be made to ensure that diagnosis codes that are at high risk for being miscoded comply with Federal requirements (when submitted to CMS for use in CMS's risk adjustment program) and take the necessary steps to enhance those procedures.

Peoples Health did not concur with any of our recommendations. However, it also did not specifically disagree with any of the errors we identified associated with the 144 enrollee-years. Instead, Peoples Health stated that we used flawed audit and extrapolation methodologies, did not evaluate the overall enrollee-year payments or risk scores, and failed to follow CMS's risk adjustment audit rules. After considering Peoples Health's comments, we maintain that our findings and recommendations are valid.