

Report in Brief

Date: July 2021

Report No. A-06-19-08003

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



Why OIG Did This Audit

To ensure that hospice care does not exceed the cost of conventional care at the end of life, there are two annual limits (called caps) to payments made to hospices. Hospices that receive claim payments exceeding the cap amounts must repay the difference (overpayment) to Medicare. The Centers for Medicare & Medicaid Services (CMS) contracts with four Medicare administrative contractors (MACs) to calculate cap amounts and recover associated overpayments. We selected Palmetto GBA, LLC (Palmetto), one of the four MACs, for our audit because it had the highest number of hospices in its jurisdiction during our audit period of cap year 2017. OIG has not performed previous work related to the hospice caps.

Our objective was to determine whether Palmetto accurately calculated cap amounts and collected cap overpayments.

How OIG Did This Audit

Our audit covered the cap calculation process for all 1,943 hospices in Palmetto's jurisdiction, 195 of which had cap overpayments totaling \$49.1 million for cap year 2017. We reviewed and performed testing related to Palmetto's cap calculation and overpayment collection process.

Palmetto GBA, LLC, Accurately Calculated Hospice Cap Amounts but Did Not Collect All Cap Overpayments

What OIG Found

Palmetto accurately calculated cap amounts but did not collect all cap overpayments or pay refunds associated with lookback years due to two internal policies. As a result, Palmetto did not collect lookback overpayments totaling \$545,639 or send refunds to hospices totaling \$17,513.

Additionally, Palmetto departments did not effectively communicate about issues that affect hospice cap oversight because it did not require such communication. While Palmetto followed CMS debt collection timing requirements for processing ERS requests and referring balances to the Department of the Treasury, \$9.8 million of the \$49.1 million (20 percent) in total overpayments for cap year 2017 was uncollected as of August 2020. Better communication might have resulted in less uncollected debt.

What OIG Recommends and Palmetto's Comments

We recommend that Palmetto GBA (1) collect \$545,639 in lookback overpayments and return \$17,513 in lookback refunds resulting from 2017 hospice cap calculations for lookback years, (2) discontinue using its internal policies of waiving certain overpayment collections related to lookback years and start collecting all hospice cap overpayments and paying refunds in accordance with CMS requirements, and (3) develop processes for communication between the departments directly and indirectly involved in hospice cap oversight.

In written comments on our draft report, Palmetto concurred with our recommendations and described actions it has taken or plans to take to address our findings and recommendations.