

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 Vanderbilt University Medical Center (VUMC) because outpatient outlier payments increased from \$2.7 million in 2017 to \$6.2 million in 2018.

Our objective was to determine whether possible billing inconsistencies resulted in improper outpatient outlier payments to VUMC.

How OIG Did This Audit

Our audit covered 2,362 outpatient outlier payments, totaling \$6.2 million, to VUMC for services provided from January 1 through December 31, 2018. We selected a stratified random sample of 117 outlier payments totaling \$543,684 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 117 outlier payments to VUMC for it to review. We requested that VUMC 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.

Vanderbilt University Medical Center: Audit of Outpatient Outlier Payments

What OIG Found

VUMC properly billed the claims for 34 of the 117 sampled outlier payments totaling \$102,551. However, VUMC did not properly bill the claims related to 81 outlier payments, resulting in improper outlier payments during our audit period. These 81 claims, which had outlier payments totaling \$427,644, contained 110 billing errors. The billing errors primarily occurred because VUMC did not have adequately designed controls or billing system capabilities to prevent coding errors, charge errors, and billing for services not covered by Medicare Part B. VUMC billed another two claims with incorrect dates of service that caused the claims to fall outside the scope of this audit (outpatient services longer than 1 day) and so were classified as non-errors.

What OIG Recommends and VUMC Comments

We recommend that the Vanderbilt University Medical Center refund to the Medicare contractor the portion of the \$686,500 in estimated outpatient outlier net overpayments for incorrectly billed claims that are within the 4-year reopening period. We also recommend that VUMC improve procedures, provide education, and implement changes to its billing system to ensure that claims billed to Medicare are accurate.

In written comments on our draft report, VUMC concurred with our recommendations and described the corrective actions that it has taken to address them. These actions include, but are not limited to, additional verification processes for pricing of pharmacy items, re-training of outsourced coders, and implementing specific reviews of unlisted procedure coding.