

## Report in Brief

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Report No. A-07-17-03221

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



### Why OIG Did This Review

Provider-preventable conditions (PPCs) are certain reasonably preventable conditions caused by medical accidents or errors in a health care setting. Federal regulations effective July 1, 2011, prohibit Medicaid payments for services related to PPCs. The Centers for Medicare & Medicaid Services (CMS) delayed enforcement of these regulations until July 1, 2012, to allow States time to develop and implement new payment policies. We conducted this review to determine whether Iowa complied with these regulations for inpatient hospital services. Under the Iowa State plan, September 1, 2011, is the effective date of the new payment policy for Iowa. This review is one in a series of OIG reviews of States' Medicaid payments for inpatient hospital services related to PPCs.

Our objective was to determine whether Iowa complied with Federal and State requirements prohibiting Medicaid payments for inpatient hospital services related to treating certain PPCs.

### How OIG Did This Review

We reviewed the Medicaid paid claim data for inpatient hospital services from October 1, 2011, through September 30, 2015, to identify claims that contained at least one secondary diagnosis code for a PPC. We reviewed Iowa's claimed inpatient hospital expenditures to determine whether Iowa adjusted payments to exclude the portions of the claims attributed to the PPCs.

### Iowa Complied With Most Federal Requirements Prohibiting Medicaid Payments for Inpatient Hospital Services Related to Provider-Preventable Conditions

#### What OIG Found

Iowa complied with most of the Federal requirements prohibiting Medicaid payments for inpatient hospital services related to treating PPCs, because its automated system edits identified claims submitted by the hospitals for those services that related to treating PPCs and reduced the related payment amounts accordingly.

However, Iowa incorrectly excluded certain inpatient hospital types from the Federal PPC reporting and payment reduction requirements and did not require those hospital types to populate the present-on-admission (POA) indicator code field on their claims. Furthermore, Iowa incorrectly included diagnosis codes that should not have been subject to the payment reduction because CMS had not designated those codes as complications or comorbidities (CCs) or major CCs (MCCs). Iowa misinterpreted some specific portions of the requirements related to the hospital types subject to PPC reporting requirements.

#### What OIG Recommends

We recommend that Iowa issue a revised Informational Letter to require that all inpatient hospital types report PPCs and appropriately reduce payments for PPCs for all future claims in accordance with Federal requirements. We also made procedural recommendations to Iowa that it obtain the POA codes for inpatient hospital types that were excluded due to the State agency's misinterpretation of the Federal requirements and identify and adjust any paid claims as necessary, revise its claims processing system edits, and identify any paid claims that had an improper payment reduction from diagnosis codes that were not considered a CC or MCC and make the proper adjustments.

Iowa did not concur with our recommendations. Iowa stated that it followed CMS Medicare guidance that specifically exempts certain hospitals. Iowa added that no corrective action was necessary for its system edits because it updated its claims system on October 1, 2015, and said that it can identify but not adjust claims that are 3 years old or older.

We maintain that our recommendations remain valid. Entities that operate as Medicaid inpatient hospitals are not exempt from payment reduction. We did not review Iowa's updated claims system because it was implemented after our audit period. Finally, because Iowa can identify the claims that had an improper payment reduction, it has the ability to adjust those payments.