Providers Did Not Always Comply With Federal Requirements When Claiming Medicare Bad Debts

What OIG Found
Providers did not always comply with Federal requirements when claiming Medicare reimbursement for Medicare bad debts. Of the 148 Medicare bad debts in our nonstatistical sample, 86 were associated with beneficiaries whom providers had deemed indigent and for whom, therefore, no reasonable collection efforts were required. Providers did not comply with Federal requirements when claiming 18 of the remaining 62 Medicare bad debts. We identified four additional bad debts for which the amounts that providers claimed did not reflect the amounts owed by the beneficiaries. These 22 bad debts resulted in a total of $29,787 in unallowable Medicare reimbursement. The Centers for Medicare & Medicaid Services (CMS) inappropriately reimbursed these amounts because the Medicare administrative contractors (MACs) did not concentrate on reviewing bad debts when performing audits of cost reports during our audit period.

For our second objective, the 67 selected providers’ policies and procedures for collecting from beneficiaries Medicare deductible and coinsurance amounts that providers claimed as Medicare bad debts complied with Federal requirements. These policies and procedures were similar to the providers’ policies and procedures for collecting non-Medicare bad debts.

What OIG Recommends and CMS Comments
We recommend that CMS consider issuing instructions or guidance to the MACs that require or encourage more review of Medicare bad debts claimed on cost reports, such as defining thresholds beyond which individual Medicare bad debts would trigger an audit, and that directs the MACs to revise their cost report audit work plans accordingly.

CMS concurred with our recommendation and stated that it would consider our findings when issuing future guidance to the MACs regarding the review of Medicare bad debts, taking into account budgetary constraints and competing priorities for the MACs.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/72002825.asp.