

Report in Brief

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



Why OIG Did This Review

Prior OIG reviews found that Medicare inappropriately paid for outpatient services provided to Medicare beneficiaries who were inpatients of acute-care hospitals. Those reviews did not cover outpatient services provided to beneficiaries who were inpatients of other types of facilities. From January 1, 2013, through August 31, 2016 (audit period), Medicare paid acute-care hospitals \$56 million for outpatient services they provided to beneficiaries who were inpatients of certain other facilities: long-term-care hospitals (LTCHs), inpatient rehabilitation facilities (IRFs), inpatient psychiatric facilities (IPFs), and critical access hospitals (CAHs).

Our objective was to determine whether Medicare appropriately paid acute-care hospitals for outpatient services they provided to beneficiaries who were inpatients of other facilities.

How OIG Did This Review

We first identified inpatient claims from LTCHs, IRFs, IPFs, and CAHs with service dates during the audit period. We used the beneficiary information and service dates from the inpatient claims to identify outpatient claims (totaling \$51.6 million) from acute-care hospitals that overlapped with the identified inpatient claims from the inpatient facilities (i.e., outpatient claims that had service dates between, but not including, the admission and discharge dates on the inpatient claims).

Medicare Inappropriately Paid Acute-Care Hospitals for Outpatient Services They Provided to Beneficiaries Who Were Inpatients of Other Facilities

What OIG Found

Medicare did not appropriately pay acute-care hospitals any of the \$51.6 million for outpatient services that we reviewed. In addition, beneficiaries were held responsible for unnecessary deductibles and coinsurance of \$14.4 million paid to the acute-care hospitals for outpatient services. Generally, Medicare should not pay an acute-care hospital for outpatient services provided to an inpatient of another facility, such as an LTCH. Instead, the services should be provided under arrangements between the two facilities, and Medicare should pay the inpatient facility for all services provided to a beneficiary (as part of the facility's inpatient payment rate).

Medicare overpaid the acute-care hospitals because the system edits that should have prevented or detected the overpayments were not working properly. If the system edits had been working properly since calendar year 2006, Medicare could have saved almost \$100 million, and beneficiaries could have saved \$28.9 million in deductibles and coinsurance that may have been incorrectly collected from them or someone on their behalf.

What OIG Recommends and CMS Comments

We recommend that the Centers for Medicare & Medicaid Services (CMS) direct the Medicare contractors to (1) recover the \$51.6 million in identified improper payments to acute-care hospitals in accordance with CMS's policies and procedures, (2) instruct the acute-care hospitals to refund beneficiaries up to \$14.4 million in deductible and coinsurance amounts that may have been incorrectly collected from them or from someone on their behalf, and (3) identify and recover any improper payments to acute-care hospitals after our audit period. We also recommend that CMS correct the system edits to prevent overpayments to acute-care hospitals and instruct the Medicare contractors to more effectively educate acute-care hospitals not to bill Medicare for outpatient services they provided to beneficiaries who were inpatients of other facilities, but rather to provide those services under arrangements and look to the inpatient facilities for payment.

CMS concurred with all of our recommendations and provided information on actions that it had taken or planned to take to address our recommendations.