

## Report in Brief

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



### Why OIG Did This Audit

The Federal Government makes Medicare payments to acute-care and critical-access hospitals as an incentive for using electronic health records (EHRs). A prior OIG audit found that the Centers for Medicare & Medicaid Services (CMS) made an estimated \$729 million in Medicare EHR incentive payments to eligible professionals who did not comply with Federal requirements. In addition, 17 prior OIG audits of Medicaid EHR incentive payments found that States overpaid hospitals by \$66.7 million and would in the future overpay these hospitals an additional \$13.3 million. These overpayments resulted from inaccuracies in the hospitals' calculations of total incentive payments. This audit focuses on Medicare EHR incentive payments made to acute-care hospitals from January 1, 2013, through September 30, 2017 (audit period). Another OIG audit will focus on Medicare EHR incentive payments made to critical-access hospitals.

Our objective was to determine whether CMS made Medicare EHR incentive payments to acute-care hospitals in accordance with Federal requirements.

### How OIG Did This Audit

Our audit covered \$10.8 billion for 8,297 Medicare EHR net incentive payments made to acute-care hospitals during our audit period. We reviewed a statistical sample of 99 net incentive payments, totaling \$152.2 million, of which 53 were final and 46 were non-final payments.

## CMS Made an Estimated \$93.6 Million in Incorrect Medicare Electronic Health Record Incentive Payments to Acute-Care Hospitals, or Less Than 1 Percent of \$10.8 Billion in Total Incentive Payments

### What OIG Found

CMS did not always make Medicare EHR incentive payments to acute-care hospitals in accordance with Federal requirements. Specifically, of 99 sampled net incentive payments, 50 net incentive payments were incorrect (totaling \$1.3 million, or less than 1 percent of \$152.2 million reviewed). The incorrect net incentive payments occurred because (1) the Medicare administrative contractors did not review the supporting documentation for all hospitals to identify errors in the hospitals' cost-report numbers used to calculate the incentive payments; and (2) CMS did not include labor and delivery services in the incentive payment calculations, which resulted in hospitals receiving inflated incentive payments. On the basis of our sample results, we estimated that CMS made incorrect net incentive payments of \$93.6 million, or less than 1 percent of the \$10.8 billion in total incentive payments for our audit period.

### What OIG Recommends and CMS Comments

To address the 50 incorrect net incentive payments in our sample, we recommend that CMS (1) recover from acute-care hospitals the portion of the \$1.3 million in incorrect net incentive payments that are within the reopening period; and (2) for the remaining portion of the \$1.3 million, which is outside of the reopening period, notify the acute-care hospitals associated with the incorrect payments so that those hospitals can exercise reasonable diligence to investigate and return any identified similar incorrect payments. To attempt recovery of the \$93.6 million in estimated incorrect net incentive payments made during our audit period and to ensure that all final and non-final payments made after our audit period are correct, we also made two procedural recommendations to CMS (detailed in the report).

CMS concurred with our recommendations and described actions that it planned to take to address our recommendations. Regarding our first recommendation, CMS said that it considers only final payments to be the payments of record upon which recoupment should be initiated. CMS said that it concurs with our two procedural recommendations to the extent that they apply to non-final payments. After reviewing CMS's comments, we maintain that our findings and recommendations are valid. CMS should initiate recoupment for final payments and ask the Medicare contractors to adjust the cost reports for non-final payments. In addition, our procedural recommendations apply to both payment types; 63 percent of the total overpayments we identified were final payments.