

Report in Brief

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



Why OIG Did This Audit

Under the Medicare Advantage (MA) program, CMS makes monthly payments to MA organizations according to a system of risk adjustment that depends on the health status of each enrollee. Accordingly, MA organizations are paid more for providing benefits to enrollees with diagnoses associated with more intensive use of health care resources than to healthier enrollees who would be expected to require fewer health care resources.

To determine the health status of enrollees, CMS relies on MA organizations to collect diagnosis codes from their providers and submit these codes to CMS. CMS then maps certain diagnosis codes into Hierarchical Condition Categories (HCCs), based on similar clinical characteristics and severity and cost implications. CMS makes higher payments for enrollees who receive diagnoses that map to HCCs.

For this audit, we reviewed one of the contracts that EmblemHealth has with CMS with respect to the diagnosis codes that EmblemHealth submitted. Our objective was to determine whether EmblemHealth submitted diagnosis codes to CMS for use in the risk adjustment program in accordance with Federal requirements.

How OIG Did This Audit

We selected a sample of 200 enrollees with at least 1 diagnosis code that mapped to an HCC for 2015. EmblemHealth provided medical records as support for 1,220 HCCs associated with 199 of the 200 enrollees. We used an independent medical review contractor to determine whether the diagnosis codes complied with Federal requirements.

Medicare Advantage Compliance Audit of Diagnosis Codes EmblemHealth (Contract H3330) Submitted to CMS

What OIG Found

EmblemHealth did not submit some diagnosis codes to CMS for use in the risk adjustment program in accordance with Federal requirements. First, although most of the diagnosis codes that EmblemHealth submitted were supported in the medical records and therefore validated 860 of the 1,222 sampled enrollees' HCCs, the remaining 362 HCCs were not validated and resulted in overpayments. These 362 unvalidated HCCs included 54 HCCs for which we identified 54 other HCCs for more and less severe manifestations of the diseases. Second, there were an additional 65 HCCs for which the medical records supported diagnosis codes that EmblemHealth should have submitted to CMS but did not.

Thus, the risk scores for the 200 sampled enrollees should not have been based on the 1,222 HCCs. Rather, the risk scores should have been based on 979 HCCs (860 validated HCCs plus 54 other HCCs plus 65 additional HCCs) and resulted in \$551,917 in net overpayments. On the basis of our sample results, we estimated that EmblemHealth received at least \$130 million in net overpayments for 2015. Because of Federal regulations that limit the use of extrapolation in RADV audits for recovery purposes to payment year 2018 and forward, we are reporting the overall estimated net overpayment amount but are recommending a refund of \$551,917 in net overpayments. As demonstrated by the errors found in our sample, EmblemHealth's policies and procedures to prevent, detect, and correct noncompliance with CMS's program requirements, as mandated by Federal regulations, could be improved.

What OIG Recommends and EmblemHealth Comments

We recommend that EmblemHealth refund to the Federal Government \$551,917 of net overpayments and continue to ensure that its policies and procedures have been adequately designed and implemented to prevent, detect, and correct noncompliance with Federal requirements for diagnosis codes that are used to calculate risk-adjusted payments. EmblemHealth disagreed with our findings and did not concur with our recommendations and provided additional information to validate specific HCCs. EmblemHealth also questioned our audit methodology and said our inclusion of estimated overpayments is inappropriate.

After reviewing EmblemHealth's comments and the additional information provided, we revised our findings and the associated net overpayment amount in our first recommendation. We also revised the wording for our second recommendation.