

Report in Brief

Date: November 2024

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



Why OIG Did This Audit

A prior OIG audit found that Medicare Part B improperly paid suppliers for durable medical equipment, prosthetics, orthotics, and supplies provided to hospice enrollees. Because payments to acute-care hospitals for outpatient services provided to hospice enrollees may also be at risk for being improper, we conducted this audit to determine whether Medicare properly paid for these services from calendar years 2017 through 2021 (audit period).

Our objective was to determine whether Medicare payments to acute-care hospitals for outpatient services provided to hospice enrollees complied with Medicare requirements.

How OIG Did This Audit

Our audit covered \$283.7 million in Part B payments to acute-care hospitals for 1.3 million outpatient services billed with condition code 07 and provided to hospice enrollees during our audit period. (This code indicates that a service is not related to an enrollee's terminal illness and related conditions.) We selected for review a stratified random sample consisting of 100 outpatient service line items. For each sample item, we submitted medical records to an independent medical reviewer contractor (medical reviewer) to assess whether the outpatient service palliated or managed the enrollee's terminal illness and related conditions.

Medicare Improperly Paid Acute-Care Hospitals an Estimated \$190 Million Over 5 Years for Outpatient Services Provided to Hospice Enrollees

What OIG Found

For 30 of 100 sample items, payments to acute-care hospitals for outpatient services provided to hospice enrollees complied with Medicare requirements. For the remaining 70 sample items, however, payments did not comply with the requirements. Specifically, our medical reviewer found that Medicare paid acute-care hospitals for outpatient services that palliated or managed hospice enrollees' terminal illnesses and related conditions. These services were already covered as part of the hospices' per diem payments and should have been provided directly by the hospices or under arrangements between the hospices and acute-care hospitals. Medicare improperly paid the acute-care hospitals because, among other causes: (1) the prepayment edit process was not properly designed; (2) most acute-care hospitals reviewed only whether outpatient services palliated or managed terminal illnesses, not related conditions; (3) Medicare guidance lacks details; and (4) Medicare contractors did not conduct prepayment or postpayment reviews.

On the basis of our sample results, we estimated that Medicare could have saved \$190.1 million for our audit period if payments had not been made to acute-care hospitals that provided outpatient services to hospice enrollees for services related to the palliation and management of the enrollees' terminal illnesses and related conditions. In addition, we estimated that enrollees could have saved \$43.6 million in deductibles and coinsurance that may have been incorrectly collected from them or from someone on their behalf.

What OIG Recommends and CMS Comments

We made six recommendations to CMS, including that CMS: (1) improve system edit processes to help reduce improper payments for outpatient services provided by acute-care hospitals to hospice enrollees; (2) educate acute-care hospitals to analyze whether outpatient services palliated or managed conditions related to enrollees' terminal illnesses; and (3) clarify Medicare guidance to specifically mention "related conditions."

CMS concurred with five of six recommendations but did not concur with our first recommendation. CMS stated that it has concerns about the feasibility and effectiveness of the type of modifications to the system edits described in our report. After reviewing CMS's comments, we refined our first recommendation. Improving CMS's system edit processes could help reduce improper payments going forward.