

REPORT HIGHLIGHTS



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Novitas Solutions, Inc., Reopened and Corrected Cost Report Final Settlements for Desk Reviews Only With Obvious Errors To Correct Payments Made to Medicare Providers

Why OIG Did This Audit

- Medicare providers are required to submit annual cost reports to their Medicare administrative contractor (MACs). These financial documents convey the providers' costs associated with providing services to Medicare enrollees. MACs use the reports in determining the final amounts due providers for their cost reporting periods (the final settlements of the cost reports).
- MACs perform a mandatory desk review to determine the accuracy and reasonableness of the data contained in a provider's cost report. The desk review does not include detailed verification and is designed to identify issues that may warrant additional review in the form of an audit by the MAC.
- This audit assessed cost reports that one MAC, Novitas Solutions, Inc. (Novitas), reopened to correct final settlements. We performed this audit to determine whether any of the cost reports that Novitas settled with a desk review only and then reopened to correct the final settlements contained obvious errors or were inconsistent with Medicare requirements.

What OIG Found

Of the 118 cost reports (totaling 122 cost report reopenings because some were reopened more than once) that Novitas settled with a desk review only and that Novitas reopened to correct the final settlements, all of the associated desk reviews contained obvious errors or were inconsistent with Medicare requirements.

- The 122 cost report reopenings resulted in corrected final settlements to providers totaling \$9.4 million (which consisted of \$5.0 million in overpayments and \$4.4 million in underpayments).
- Novitas reported to us that its auditors and supervisors required additional training on certain types of payments. Novitas added that its supervisors did not detect the incorrect audit adjustments.
- The risk exists that delays in the correct settlement of the cost reports could prevent some Medicare funds from being expended in the most efficient and effective ways.

What OIG Recommends

We recommend that Novitas develop and provide additional education to desk reviewers and supervisors on applicable criteria and review requirements; and that Novitas develop and implement enhanced procedures, which expand upon the current procedures and which are not limited to the additional training for which Novitas has already identified a need, so that supervisors are better qualified to detect incorrect audit adjustments.

Novitas concurred with both of our recommendations and described the corrective actions it had taken to address them.