REPORT HIGHLIGHTS

November 2026 | OAS-25-06-154

CMS's Oversight of Medicare Administrative Contractors' Cost Report Settlement Processes Was Not Adequate To Identify Settlements That Contained Obvious Errors and That Had Inadequate Supervisory Review

Why OIG Did This Audit

- Previous OIG audits identified that Medicare administrative contractors (MACs) performed audits and desk reviews of annual cost reports submitted by Medicare-certified providers and then reopened some final settlements to correct them because of errors (caused by the MACs) or inconsistencies with the law, regulations, or Medicare manual instructions.
- This audit summarizes the results of six previous audits of MACs' reopened and corrected cost report final settlements because of errors in their audits and desk reviews in order to determine whether CMS's oversight of the MACs' cost report settlement processes was adequate.

What OIG Found

- In our 6 previous audits involving MAC cost report settlements, we identified a total of 234 cost report reopenings that were the result of errors made during audits or desk reviews and that resulted in corrected final settlements to providers totaling $31.6 million (which consisted of $23.3 million in overpayments and $8.3 million in underpayments).
- These cost report settlements contained obvious errors, and the MACs' supervisory review procedures that were in place during our previous audits did not detect the incorrect audit adjustments that we identified. MAC officials reported to us that their auditors and supervisors who were involved in desk reviews and audits of cost reports required additional training applicable to certain types of payments.
- CMS oversight of the MACs' cost report settlement processes was inadequate. Of the 234 cost report reopenings with settlement errors that our previous audits identified, CMS's quality assurance process had identified only 8 cost reports as having had settlement errors. CMS does not have visibility of the number or types of errors in cost report final settlements. Additionally, CMS does not require MACs to identify the cause of final settlement errors or any corrective actions taken and does not require MACs to conduct quality assurance reviews before issuing final settlements of cost reports.

What OIG Recommends

We made three recommendations to CMS, including that it enhance the oversight activities of its quality assurance process, that it require the MACs to submit annual reports on the numbers and types of errors they identify in final settlements of cost reports, and that it instruct the MACs to create a quality assurance review of cost reports that have had either an audit or a desk review only. The full recommendations are in the report.

CMS did not specifically concur or nonconcur with our first recommendation, concurred with our second recommendation, and did not concur with our third recommendation.