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

Medicare Hospital Provider Compliance Audit: Northwest Medical Center

Why OIG Did This Audit

This audit is part of a series of hospital compliance audits. Using computer matching, data mining, and data analysis techniques, we identified hospital claims that were at risk for noncompliance with Medicare billing requirements. For calendar year 2017, Medicare paid hospitals $206 billion, which represents 55 percent of all fee-for-service payments for the year.

Our objective was to determine whether Northwest Medical Center (the Hospital) complied with Medicare requirements for billing inpatient and outpatient services on selected types of claims.

How OIG Did This Audit

We selected for review a stratified random sample of 85 inpatient and 15 outpatient claims with payments totaling $1.1 million for our 2-year audit period (January 1, 2016, through December 31, 2017).

We focused our audit on the risk areas that we identified as a result of prior OIG audits at other hospitals. We evaluated compliance with selected billing requirements.

What OIG Found

The Hospital complied with Medicare billing requirements for 80 of the 100 inpatient and outpatient claims we reviewed. However, it did not fully comply with Medicare billing requirements for the remaining 20 claims, resulting in overpayments of $201,624 for the audit period. The 13 inpatient claims had billing errors, resulting in overpayments of $200,495, and 7 outpatient claims had billing errors, resulting in overpayments of $1,129. Specifically, the Hospital incorrectly billed:

- nine inpatient rehabilitation claims that did not meet coverage requirements,
- two inpatient Medicare Part A claims that should have been billed as outpatient or outpatient with observation, and
- two inpatient and 7 outpatient claims that were incorrectly coded.

On the basis of our sample results, we estimated that the Hospital received overpayments of at least $1.2 million for the audit period. During the course of our audit, the Hospital submitted six of these claims for reprocessing, and we verified those claims as correctly reprocessed. Accordingly, we have reduced the recommended refund by $4,024.

What OIG Recommends and Hospital Comments

We recommend that the Hospital refund to the Medicare contractor at least $1.2 million in estimated overpayments for the audit period for claims that it incorrectly billed; exercise reasonable diligence to identify and return any additional similar overpayments received outside of our audit period, in accordance with the 60-day rule; and strengthen controls to ensure full compliance with Medicare requirements.

The Hospital disagreed that it incorrectly billed inpatient rehabilitation claims, beneficiary stays that should have been billed as outpatient, and outpatient claims with bypass modifiers. In addition, the Hospital disagreed with our use of extrapolation, our inclusion of inpatient claims spanning two or more midnights, and our recommendation that it refund the extrapolated overpayment and identify and return any additional similar overpayments received outside of the audit period.

We obtained independent medical review for all inpatient and outpatient claims in our sample. We provided the independent medical reviewer with all documentation necessary to sufficiently determine medical necessity and coding for all inpatient claims, and our report reflects the results of that review. Our statistical methods have been fully explained and repeatedly validated. Therefore, we maintain that all of our findings and recommendations are correct.