

## Report in Brief

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Report No. A-05-18-00020

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



### Why OIG Did This Audit

Under the Medicare Advantage (MA) program, the Centers for Medicare & Medicaid Services (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, on the basis of similar clinical characteristics and severity and cost implications, into Hierarchical Condition Categories (HCCs). Thus, CMS makes higher payments for enrollees who receive diagnoses that map to HCCs.

For this audit, we reviewed the contract that Inter Valley Health Plan, Inc., has with CMS with respect to the diagnosis codes that Inter Valley submitted to CMS. Our objective was to determine whether Inter Valley 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. Inter Valley provided medical records as support for 1,553 HCCs associated with 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 That Inter Valley Health Plan, Inc. (Contract H0545), Submitted to CMS

### What OIG Found

Inter Valley 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 Inter Valley Health Plan submitted were supported in the medical records and therefore validated 1,411 of the 1,553 sampled enrollees' HCCs, the remaining 142 HCCs were not validated and resulted in overpayments. These 142 unvalidated HCCs included 23 HCCs for which we identified 23 other, replacement HCCs for more and less severe manifestations of the diseases. Second, there were an additional 12 HCCs for which the medical records supported diagnosis codes that Inter Valley should have submitted to CMS but did not.

Thus, the risk scores for the 200 sampled enrollees should not have been based on the 1,553 HCCs. Rather, the risk scores should have been based on 1,446 HCCs (1,411 validated HCCs + 23 other HCCs + 12 additional HCCs). As a result, we estimated that Inter Valley received at least \$5.3 million in net overpayments for 2015. These errors occurred because Inter Valley'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 Inter Valley's Comments

We recommend that Inter Valley refund to the Federal Government the \$5.3 million of estimated net overpayments and continue to enhance its policies and procedures to prevent, detect, and correct noncompliance with Federal requirements for diagnosis codes that are used to calculate risk-adjusted payments.

Inter Valley did not concur with our findings and recommendations and provided additional medical record documentation that it believed validated specific HCCs. Inter Valley asked that we limit our first recommendation "to only the erroneous payments for [sampled] member-HCCs that were not validated" and requested that we withdraw our second recommendation. After reviewing Inter Valley's comments and the additional information that it provided, we revised our findings and the associated monetary recommendation from \$5.9 million (in our draft report) to \$5.3 million but made no change to our second recommendation.