



Why OIG Did This Audit

Medicare-certified providers are required to submit an annual cost report to their Medicare administrative contractor (MAC). Cost reports are financial documents that convey the provider's costs associated with providing services to people enrolled in Medicare. A MAC can decide to audit a provider's cost report before bringing it to final settlement. If there is an error made in the final settlement, the MAC can reopen and adjust the cost report final settlement to correct the error.

We performed this audit to determine whether one MAC, Noridian Healthcare Solutions (Noridian), reopened and corrected cost report final settlements because of audit errors.

Our objectives were to determine: (1) how many audited cost reports Noridian reopened to correct the final settlements and (2) whether any of the audits contained obvious errors or were inconsistent with the law, regulations, or Medicare manual instructions and were caused by Noridian.

How OIG Did This Audit

We obtained information for audited cost reports ending in fiscal years 2016 and 2017 and determined whether they had been reopened. We obtained workpapers, audit adjustments, and final settlement summaries. After removing cost reports that were outside of our scope, we reviewed 12 cost reports for this audit.

Noridian Healthcare Solutions Reopened and Corrected Cost Report Final Settlements To Collect \$11 Million in Net Overpayments That Had Been Made to Medicare Providers

What OIG Found

We determined that Noridian reopened 141 audited cost reports to correct the final settlements. Of these, 84 cost reports were reopened based on new information or at the request of the Centers for Medicare & Medicaid Services (CMS). In addition, 45 cost reports were not related to our objectives; we excluded these from our review. For our second objective, of the remaining 12 audited cost reports that Noridian reopened and that we reviewed, Noridian's audits contained obvious errors or were inconsistent with the law, regulations, or Medicare manual instructions and were caused by Noridian.

These 12 cost reports required reopening because Noridian's auditors and supervisors required additional education on applicable criteria and audit requirements, because Noridian's procedures for multiple levels of review did not detect incorrect audit adjustments, and because of time constraints on Noridian's audits. The reopened cost reports resulted in revised final settlements to providers totaling almost \$11.3 million in net overpayments.

What OIG Recommends and Noridian Comments

We recommend that Noridian: (1) develop and deliver additional education to auditors and audit supervisors regarding applicable criteria and review requirements; (2) develop and implement procedures to allow enough time for adequate auditor and supervisory review of audit documents and related actions; and (3) develop and implement enhanced procedures so that supervisors and higher-level reviewers are better qualified to detect incorrect audit adjustments.

Noridian concurred with our recommendations and provided information on actions that it had taken or planned to take to address them. Noridian stated that the number of reopenings related to errors made up just over 4 percent of the audits that it completed during fiscal years 2016 and 2017. Noridian said that it would collaborate with CMS's training contractor to develop new training curriculum and described other measures it had taken with respect to internal training. Noridian also referred to ongoing reorganization of its staff, to include the implementation of a new staff position to complete first-level supervisory review and to coach and mentor staff. In addition, Noridian stated that it had implemented a quality review process and that it was reviewing its standard operating procedures and conducting training on those procedures.