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

Why OIG Did This Audit

Providers sought reimbursement of nearly $10 billion for Medicare bad debts on their cost reports with cost reporting periods ending during Federal fiscal years 2016 through 2018. Federal regulations state that Medicare is to reimburse providers 65 percent of deductible and coinsurance amounts for Medicare beneficiaries that remain unpaid (1) after the provider has made a reasonable effort to collect, (2) the debt was uncollectible, and (3) there was no likelihood of future recovery based on sound business judgment ("Medicare bad debts").

Our objectives were to determine whether (1) providers complied with Federal requirements when claiming Medicare reimbursement for Medicare bad debts and (2) providers' policies and procedures for collecting from beneficiaries Medicare deductible and coinsurance amounts that providers claimed as Medicare bad debts complied with Federal requirements.

How OIG Did This Audit

We randomly selected 67 cost reports in which providers claimed Medicare bad debts. We selected a nonstatistical sample of 148 bad debts and reviewed the providers' documentation of the collection efforts performed.

We reviewed the sampled providers' policies and procedures for collecting Medicare bad debts to ensure that the policies and procedures included reasonable collection efforts.

Providers Did Not Always Comply With Federal Requirements When Claiming Medicare Bad Debts

What OIG Found

Providers did not always comply with Federal requirements when claiming Medicare reimbursement for Medicare bad debts. Of the 148 Medicare bad debts in our nonstatistical sample, 86 were associated with beneficiaries whom providers had deemed indigent and for whom, therefore, no reasonable collection efforts were required. Providers did not comply with Federal requirements when claiming 18 of the remaining 62 Medicare bad debts. We identified four additional bad debts for which the amounts that providers claimed did not reflect the amounts owed by the beneficiaries. These 22 bad debts resulted in a total of $29,787 in unallowable Medicare reimbursement. The Centers for Medicare & Medicaid Services (CMS) inappropriately reimbursed these amounts because the Medicare administrative contractors (MACs) did not concentrate on reviewing bad debts when performing audits of cost reports during our audit period.

For our second objective, the 67 selected providers' policies and procedures for collecting from beneficiaries Medicare deductible and coinsurance amounts that providers claimed as Medicare bad debts complied with Federal requirements. These policies and procedures were similar to the providers' policies and procedures for collecting non-Medicare bad debts.

What OIG Recommends and CMS Comments

We recommend that CMS consider issuing instructions or guidance to the MACs that require or encourage more review of Medicare bad debts claimed on cost reports, such as defining thresholds beyond which individual Medicare bad debts would trigger an audit, and that directs the MACs to revise their cost report audit work plans accordingly.

CMS concurred with our recommendation and stated that it would consider our findings when issuing future guidance to the MACs regarding the review of Medicare bad debts, taking into account budgetary constraints and competing priorities for the MACs.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/72002825.asp.