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

Medicare Advantage Compliance Audit of Diagnosis Codes That Health Net of California, Inc. (Contract H0562) Submitted to CMS

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, to 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 Health Net of California, Inc., has with CMS with respect to the diagnosis codes that Health Net submitted to CMS. Our objective was to determine whether Health Net 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. Health Net provided medical records as support for 1,325 HCCs associated with 195 of the 200 enrollees. We used an independent medical review contractor to determine whether the diagnosis codes complied with Federal requirements.

What OIG Found

Health Net 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 Health Net submitted were supported in the medical records and therefore validated 1,103 of the 1,333 sampled enrollees' HCCs, the remaining 230 HCCs were not validated and resulted in overpayments. These 230 unvalidated HCCs included 46 HCCs for which we identified 46 other, replacement HCCs for more and less severe manifestations of the diseases. Second, there were an additional 123 HCCs for which the medical records supported diagnosis codes that Health Net should have submitted to CMS but did not.

Thus, the risk scores for the 200 sampled enrollees should not have been based on the 1,333 HCCs. Rather, the risk scores should have been based on 1,272 HCCs (1,103 validated HCCs plus 46 other HCCs plus 123 additional HCCs). As a result, Health Net received $69,182 of net overpayments for 2015 for the sampled enrollees. As demonstrated by the errors found in our sample, Health Net'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 Health Net Comments

We recommend that Health Net: (1) refund to the Federal Government the $69,182 of net overpayments and (2) continue to improve its policies and procedures to prevent, detect, and correct noncompliance with Federal requirements for diagnosis codes that are used to calculate risk-adjusted payments.

In written comments on our draft report, Health Net stated that it will take appropriate steps for the HCCs that it agrees are unsupported by medical records but requested that we reconsider our recommendations and work with Health Net to address issues identified in its comments before finalizing our report. Health Net stated that medical records supported certain diagnoses and that we identified certain HCCs as unsupported for which it had submitted revisions before the start of our audit. After considering Health Net's comments and reviewing the additional information that Health Net provided, we revised our findings and reduced the associated recommended refund amount (from $90,488 to $69,182) for the final report, but we made no change to our second recommendation.

The full report can be found at https://oig.hhs.gov/oas/reports/region9/91803007.asp.