

Report in Brief

Date: September 2022
Report No. A-09-22-03007

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



Why OIG Did This Audit

A prior OIG audit found that Medicare inappropriately paid acute-care hospitals \$51.6 million for outpatient services they provided from January 2013 through August 2016 to beneficiaries who were inpatients of long-term care hospitals (LTCHs), inpatient rehabilitation facilities (IRFs), inpatient psychiatric facilities (IPFs), and critical access hospitals (CAHs). The overpayments occurred because system edits were not working properly. Because of the large overpayment amount we identified, we conducted this followup audit to review payments to acute-care hospitals for outpatient services provided from September 2016 through December 2021 (audit period), including determining whether the Centers for Medicare & Medicaid Services (CMS) had corrected the system edits.

Our objective was to determine whether Medicare appropriately paid acute-care hospitals for outpatient services they provided to beneficiaries who were inpatients of other facilities.

How OIG Did This Audit

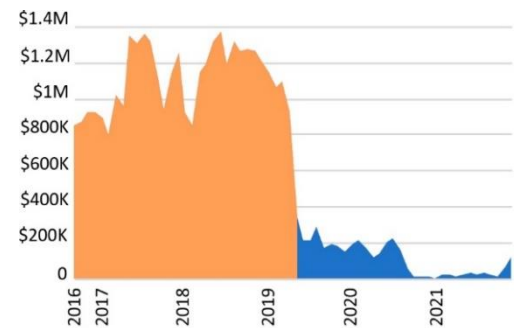
Our audit identified \$39.3 million in Medicare Part B payments to acute-care hospitals for outpatient services provided to beneficiaries who were inpatients of certain other facilities during our audit period. We identified inpatient claims from LTCHs, IRFs, IPFs, and CAHs and used the beneficiary information and service dates to identify outpatient claims from acute-care hospitals that overlapped with the identified inpatient claims.

CMS's System Edits Significantly Reduced Improper Payments to Acute-Care Hospitals After May 2019 for Outpatient Services Provided to Beneficiaries Who Were Inpatients of Other Facilities

What OIG Found

During our audit period, Medicare inappropriately paid acute-care hospitals \$39.3 million for outpatient services they provided to beneficiaries who were inpatients of other facilities (i.e., LTCHs, IRFs, IPFs, and CAHs). None of the \$39.3 million should have been paid because the inpatient facilities were responsible for payment. Each type of inpatient facility covered by our audit must: (1) provide directly all services furnished during an inpatient stay or (2) arrange for services to be provided on an outpatient basis by an acute-care hospital and include those outpatient services on its inpatient claims submitted to Medicare.

Before May 2019, the system edits were not working properly. However, after CMS modified the edits in May 2019, only \$3.4 million (less than 9 percent of the \$39.3 million in improper payments for the entire audit period) was inappropriately paid to acute-care hospitals from June 2019 through December 2021.



What OIG Recommends and CMS Comments

We recommend that CMS: (1) direct the Medicare contractors to recover the portion of the \$39.3 million in improper payments for our audit period that are within the 4-year reopening period, (2) instruct acute-care hospitals to refund beneficiaries up to \$9.8 million in deductible and coinsurance amounts that may have been incorrectly collected from them or from someone on their behalf, (3) direct the Medicare contractors to recover any improper payments after our audit period, and (4) continue to review the system edits to determine whether any refinements are necessary to prevent overpayments to acute-care hospitals for outpatient services provided to beneficiaries who are inpatients of other facilities. The report includes one other recommendation.

CMS concurred with four of our five recommendations and provided information on corrective actions it planned to take. For the remaining recommendation, CMS said that it will review data submitted for the audit period and consider how to best address any remaining improper payments made after the audit period.