

## Report in Brief

Date: March 2018

Report No. A-05-14-00041

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



### Why OIG Did This Review

For calendar year (CY) 2013, the Medicare Part B program paid approximately \$1.6 billion for outpatient physical therapy services provided to Medicare beneficiaries. Past Office of Inspector General reviews of individual physical therapy providers have identified claims for outpatient physical therapy services that were not reasonable, medically necessary, or properly documented. We conducted this review to determine the extent to which these issues occurred nationwide.

The objective of this review was to determine whether Medicare claims for outpatient physical therapy services complied with Medicare requirements.

### How OIG Did This Review

Our review covered Medicare outpatient claims for physical therapy services, totaling \$635.8 million, provided by therapists from July 1 through December 31, 2013. A claim consisted of all services provided to a beneficiary on the same date. We reviewed a stratified random sample of 300 of these claims.

## Many Medicare Claims for Outpatient Physical Therapy Services Did Not Comply With Medicare Requirements

### What OIG Found

Sixty-one percent of Medicare claims for outpatient physical therapy services that we reviewed did not comply with Medicare medical necessity, coding, or documentation requirements. Specifically, of the 300 claims in our stratified random sample, therapists claimed \$12,741 in Medicare reimbursement on 184 claims that did not comply with Medicare requirements. Therapists properly claimed Medicare reimbursement on the remaining 116 claims.

On the basis of our sample results, we estimated that during the 6-month audit period, Medicare paid \$367 million for outpatient physical therapy services that did not comply with Medicare requirements.

These overpayments occurred because the Centers for Medicare & Medicaid Services' controls were not effective in preventing improper payments for outpatient physical therapy services.

### What OIG Recommends and CMS Comments

By eliminating improper payments, Medicare could have saved an estimated \$367 million on services provided by outpatient physical therapists from July 1 through December 31, 2013. Therefore, we recommend that CMS (1) instruct the Medicare Administrative Contractors to notify providers of potential overpayments so that those providers can exercise reasonable diligence to investigate and return any identified overpayments, (2) establish mechanisms to better monitor the appropriateness of outpatient physical therapy claims, and (3) educate providers about Medicare requirements for submitting outpatient physical therapy claims for reimbursement.

In written comments on our draft report, CMS generally disagreed with our findings and our first recommendation. CMS stated that it disagrees with some of the policy interpretations and believes further analysis of the sampled claims is warranted to determine whether the claims met Medicare requirements. CMS agreed with our second and third recommendations.

After considering CMS's comments and consulting with our independent medical reviewer, we made changes to the draft report where appropriate. However, we maintain that the remaining error determinations by our medical reviewer were correct and that all of our associated recommendations are valid and consistent with similar reviews of physical therapy services at individual providers.