

## Report in Brief

Date: January 2018

Report No. A-05-16-00064

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



### Why OIG Did This Review

This review is part of a series of hospital compliance reviews. Using computer matching, data mining, and data analysis techniques, we identified hospital claims that were at risk for noncompliance with Medicare billing requirements. For calendar year 2015, Medicare paid hospitals \$163 billion, which represents 46 percent of all fee-for-service payments for the year.

Our objective was to determine whether the University of Michigan Health System (the Hospital) complied with Medicare requirements for billing inpatient and outpatient services on selected types of claims with dates of service in calendar years 2014 or 2015.

### How OIG Did This Review

We selected for review a stratified random sample of 181 inpatient and outpatient claims with payments totaling \$4.7 million for our audit period.

We focused our review on the risk areas that we had identified during prior OIG reviews at other hospitals. We evaluated compliance with selected billing requirements.

## Medicare Compliance Review of the University of Michigan Health System

### What OIG Found

The Hospital complied with Medicare billing requirements for 108 of the 181 inpatient and outpatient claims we reviewed. However, the Hospital did not fully comply with Medicare billing requirements for the remaining 73 claims, resulting in overpayments of \$1.3 million for calendar years 2014 and 2015. Specifically, 65 inpatient claims had billing errors, resulting in overpayments of \$1.3 million, and 8 outpatient claims had billing errors, resulting in overpayments totaling \$14,691. These errors occurred primarily because the Hospital did not have adequate controls to prevent the incorrect billing of Medicare claims within the selected risk areas that contained errors.

On the basis of our sample results, we estimated that the Hospital received net overpayments totaling at least \$6.2 million for the audit period.

### What OIG Recommends and the Hospital's Comments

We recommend that the Hospital refund to the Medicare contractor \$6.2 million (of which \$1.3 million was overpayments identified in our sample) in estimated net overpayments for incorrectly billed services; exercise reasonable diligence to identify and return any additional similar overpayments received outside of our audit period; and strengthen controls to ensure full compliance with Medicare requirements.

In written comments on our draft report, the Hospital generally agreed with most of our findings and all recommendations. However, the Hospital disagreed with our inpatient rehabilitation facility findings and questioned our determinations of what constitutes an overpayment in some instances. The Hospital also questioned the use of extrapolation for medical necessity findings.

We maintain that all of our findings and the associated recommendations are valid. We evaluated compliance and sent more than half of the claims to an independent medical review contractor to determine whether the services met medical necessity and coding requirements. For the claims subjected to a focused medical review, each denied case was reviewed by two clinicians, including a physician. We stand by those determinations.

Regarding the Hospital's comments on our statistical sampling and extrapolation methodology, Federal courts have consistently upheld statistical sampling and extrapolation as a valid means to determine overpayment amounts in Medicare and Medicaid.