

Report in Brief

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



Why OIG Did This Review

The Centers for Medicare & Medicaid Services (CMS) relies on Medicare contractors to reconcile outlier payments, which compensate hospitals for high-cost cases. These reconciliations ensure that outlier payments reflect hospitals' actual costs.

In a series of previous audits, we reported that Medicare contractors had not always referred hospital cost reports that qualified for reconciliation and had not always reconciled the associated outlier payments. This review summarizes the findings from that series of reviews.

Our objective was to summarize the results of our individual Medicare contractor reviews of cost report referrals and reconciliation of outlier payments.

How OIG Did This Review

We summarized the results of our previous reviews of the Medicare contractors and, where appropriate, updated the status of the cost reports identified during those reviews.

Our previous reviews focused on determining whether Medicare contractors had referred cost reports to CMS for reconciliation in accordance with Federal guidelines and whether the outlier payments associated with qualifying cost reports had been reconciled.

Vulnerabilities Remain in Medicare Hospital Outlier Payments

What OIG Found

The summarized results of our individual Medicare contractor reviews revealed that for the period October 2003 through March 2011, Medicare contractors did not always refer cost reports that qualified for reconciliation, and CMS did not always ensure that Medicare contractors reconciled the outlier payments associated with cost reports that had been referred.

Our previous reviews identified 465 cost reports that qualified for reconciliation of outlier payments. As of December 31, 2011, 110 of these 465 cost reports had not been referred for reconciliation. As of the same date, 287 cost reports had been referred, but of these, 153 cost reports had not had their outlier payments reconciled. The remaining 68 cost reports qualified for reconciliation but may have had inaccurate cost report data. Audit resolution measures taken by CMS and the Medicare contractors after issuance of our previous reviews resulted in the referral of a number of the formerly unreferred cost reports, and reconciliation of some of the outlier payments, that we had identified in those previous reviews. However, according to CMS and as of November 15, 2016, there were 211 cost reports that remained under review and were pending completion of the reconciliation process.

CMS did not maintain a complete listing of the cost reports that Medicare contractors had referred for reconciliation. Moreover, CMS did not always ensure that the contractors correctly identified cost reports that qualified for reconciliation, referred all qualifying cost reports to CMS for reconciliation, and reconciled the associated outlier payments.

What OIG Recommends and CMS Comments

We made recommendations to CMS regarding the continuation of corrective actions by the Medicare contractors, the reopening of cost reports, the review of cost reports submitted since the end of our previous audit periods, and the maintenance of a system that identifies and tracks referred cost reports and that recalculates outlier payments.

CMS concurred with two of our recommendations and described corrective actions that it had taken. CMS also described corrective actions that it had taken or planned to take that were in keeping with our other two recommendations.