

REPORT HIGHLIGHTS



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Some Selected Skilled Nursing Facilities Did Not Comply With Medicare Requirements for Reporting Related-Party Costs

Why OIG Did This Audit

- Most of the approximately 15,000 nursing homes in this country are certified by Medicare to serve as skilled nursing facilities (SNFs). As of FY 2023, about 1.2 million people resided in nursing homes.
- SNFs file cost reports with Medicare. Accurate cost reports are important because cost reports provide the Medicare program with transparency about the costs SNFs incur in providing care for residents and with critical information that CMS uses to update SNF payment rates.
- SNFs and other Medicare providers regularly obtain services, facilities, or supplies (e.g., therapy services for SNF residents) from parties related to the provider (related parties).
- SNFs and other providers must report related parties and related-party costs on their cost reports. Compliance with Medicare cost reporting requirements ensures that SNFs are not reporting related-party costs in excess of what is allowable.
- For Medicare cost reporting periods ending during FYs 2015 through 2020, SNFs reported receiving a total of \$160.4 billion in Medicare payments and paying a total of \$65.4 billion to related parties.
- This audit examined whether selected SNFs reported related parties as required and whether their related-party costs complied with Medicare requirements.

What OIG Found

- Of the 14 SNFs in our nonstatistical sample, 3 SNFs did not properly disclose 1 or more related parties on their Medicare cost reports. In addition, 7 of the 14 SNFs did not properly adjust some of their related-party costs to Medicare-allowable costs as required, which resulted in more than \$1.7 million in overstated costs.
- Medicare administrative contractors (MACs) did not review, as part of their oversight activities, the disclosure or reporting of related parties and their costs, and CMS did not provide sufficient guidance to SNFs that explained how to determine Medicare-allowable related-party costs.

What OIG Recommends

We recommend that CMS:

1. require the MACs to include, as part of the normal desk review or audit process, a review of reporting and disclosure of related-party costs;
2. develop and implement guidance for SNFs on the appropriate methods for providers to determine their allowable related-party costs; and
3. provide guidance to reeducate MACs on the need to review, grant, and document requests from SNFs for exceptions to cost reporting requirements in compliance with 42 CFR § 413.17(d).

CMS did not concur with our first recommendation. CMS concurred with our second and third recommendations and stated that it would explore the most feasible way to address each of them.