

Report in Brief

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



Why OIG Did This Audit

This audit is part of a series of hospital compliance audits. 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 2017, Medicare paid hospitals \$206 billion, which represents 55 percent of all fee-for-service payments for the year.

Our objective was to determine whether Carolinas Hospital complied with Medicare requirements for billing inpatient and outpatient services on selected types of claims.

How OIG Did This Audit

We selected for review a stratified random sample of 80 inpatient and 20 outpatient claims with payments totaling \$1.5 million for our 2-year audit period (January 1, 2016, through December 31, 2017).

We focused our audit on the risk areas that we identified as a result of prior OIG audits at other hospitals. We evaluated compliance with selected billing requirements.

Medicare Hospital Provider Compliance Audit: Carolinas Hospital

What OIG Found

Carolinas Hospital complied with Medicare billing requirements for 55 of the 100 inpatient and outpatient claims we reviewed. However, the Hospital did not fully comply with Medicare billing requirements for the remaining 45 claims, resulting in overpayments of \$431,757 for the audit period. The 41 inpatient claims had billing errors, resulting in overpayments of \$431,431, and 4 outpatient claims had billing errors, resulting in overpayments of \$326. Specifically, the Hospital incorrectly billed:

- 22 inpatient rehabilitation claims that did not meet coverage requirements,
- 15 inpatient Medicare Part A claims that should have been billed as outpatient or outpatient with observation,
- 4 inpatient claims and 1 outpatient claim that were incorrectly coded, and
- 3 outpatient claims that were subject to the consolidated billing requirements.

On the basis of our sample results, we estimated that the Hospital received overpayments of at least \$3.4 million for the audit period.

What OIG Recommends and Carolinas Hospital Comments

We recommend that Carolinas Hospital refund to the Medicare contractor at least \$3.4 million in estimated overpayments for the audit period for claims that it incorrectly billed; exercise reasonable diligence to identify and return any additional similar overpayments received outside of our audit period, in accordance with the 60-day rule; and strengthen controls to ensure full compliance with Medicare requirements.

Carolinas Hospital disagreed that it incorrectly billed inpatient rehabilitation claims and beneficiary stays that should have been billed as outpatient. In addition, the Hospital disagreed with our use of extrapolation, our inclusion of inpatient claims spanning two or more midnights, and our recommendation that it refund the extrapolated overpayment and identify and return any additional similar overpayments received outside of the audit period.

We obtained independent medical review for all inpatient claims in our sample. We provided the independent medical reviewer with all documentation necessary to sufficiently determine medical necessity for all inpatient claims, and our report reflects the results of that review. Our statistical methods have been fully explained and repeatedly validated. Therefore, we maintain that all of our findings and recommendations are correct.