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

Why OIG Did This Audit

Medicare pays for home health services provided to beneficiaries who need skilled care for an illness or injury and are unable to leave their home. When providers furnish these services in rural areas, a percentage increase (rural add-on payment) is added to the standardized home health payment.

Under the Bipartisan Budget Act of 2018, Congress required the Centers for Medicare & Medicaid Services (CMS) to implement a new methodology for applying rural add-on payments beginning on January 1, 2019. Through the same legislation, Congress amended the Social Security Act to require, as a condition of payment, that all home health claims contain the code for the county (or equivalent area) where the service was furnished. Congress further required the Office of Inspector General to complete an analysis of Medicare home health claims and utilization of home health services by county (or equivalent area) and make recommendations as appropriate.

How OIG Did This Audit

Our audit covered $109,389,663,042 in Medicare payments to home health agencies (HHAs) for 45,417,624 claims. These claims were for home health services provided January 2016 through March 2022. We performed an analysis of service utilization by county and evaluated compliance with selected billing requirements.

Mandated Analysis of Home Health Service Utilization From January 2016 Through March 2022

What OIG Found

We determined that, during the audit period, beneficiary utilization of home health services decreased for urban counties and rural counties in the "high utilization" and "all other" categories, while utilization in the "low population density" category remained steady. We further determined that the number of home health episodes decreased for all urban and rural county categories. Many variables during the audit period may have affected utilization of services. Most notably, during calendar years 2020–2022, the Secretary of Health and Human Services declared a public health emergency in response to the COVID-19 pandemic. The pandemic affected utilization of services and presented staffing challenges for HHAs. Therefore, we could not determine the cause of any changes in utilization of services during this period.

Lawmakers designed the new rural add-on methodology to provide higher add-on percentages to rural counties in the "low population density" and "all other" categories. We determined that, during the audit period, the methodology shifted the distribution of add-on payments from the "high utilization" category to the "low population density" and "all other" categories.

We originally planned to use Federal Information Processing Standards (FIPS) data to analyze utilization from January 2016 through March 2022 but were unable to do so because the FIPS data was incomplete. This occurred because providers were not always applying the FIPS codes to claims, or the FIPS codes were invalid. Also, Medicare administrative contractors (MACs) did not always return claims with missing or invalid FIPS codes to providers for correction as required.

What OIG Recommends and CMS Comments

We recommend that CMS take the following steps to improve FIPS code reporting: (1) update the HH Pricer logic to check for missing and invalid FIPS codes on all home health claims and work with MACs to ensure that these claims are returned to providers for correction; and (2) re-educate providers on the requirement for all home health claims to be submitted with the FIPS code for the county where the service was provided.

CMS concurred with our second recommendation but did not concur with our first recommendation. CMS provided information on the actions that it has taken and plans to take to address the second recommendation and the reasons it did not concur with the first recommendation. We maintain that our findings and recommendations are valid. CMS's comments are summarized in the body of our report.

The full report can be found at https://oig.hhs.gov/oas/reports/region5/52000031.asp.