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

Medicare Advantage Compliance Audit of Specific Diagnosis Codes That SelectCare of Texas, Inc. (Contract H4506) Submitted to CMS

Why OIG Did This Audit

Under the Medicare Advantage (MA) program, CMS makes monthly payments to MA organizations according to a system of risk adjustment that depends on the health status of each enrollee. Accordingly, MA organizations are paid more for providing benefits to enrollees with diagnoses associated with more intensive use of health care resources than to healthier enrollees, who would be expected to require fewer health care resources.

To determine the health status of enrollees, CMS relies on MA organizations to collect diagnosis codes from their providers and submit these codes to CMS.

For this audit, we reviewed one MA organization, SelectCare of Texas, Inc. (SelectCare), and focused on 10 groups of high-risk diagnosis codes.

Our objective was to determine whether selected diagnosis codes that SelectCare submitted to CMS for use in CMS's risk adjustment program complied with Federal requirements.

How OIG Did This Audit

We sampled 285 unique enrollee-years with the high-risk diagnosis codes for which SelectCare received higher payments for 2015 through 2016. We limited our review to the portions of the payments that were associated with these high-risk diagnosis codes, which totaled $689,604.

What OIG Found

With respect to the 10 high-risk groups covered by our audit, most of the selected diagnosis codes that SelectCare submitted to CMS for use in CMS's risk adjustment program did not comply with Federal requirements. Specifically, for 220 of the 285 enrollee-years, the diagnosis codes that SelectCare submitted to CMS were not supported in the medical records and resulted in net overpayments of $482,601. As demonstrated by the errors in our sample, the policies and procedures that SelectCare used to prevent, detect, and correct noncompliance with CMS's program requirements could be improved. On the basis of our sample results, we estimated that SelectCare received at least $5.1 million in net overpayments for 2015 and 2016.

What OIG Recommends and SelectCare Comments

We recommend that SelectCare (1) refund to the Federal Government the $482,601 in net overpayments; (2) identify, for the high-risk diagnoses included in this report, similar instances of noncompliance that occurred before and after our audit period and refund any resulting overpayments to the Federal Government; and (3) review its existing compliance procedures to identify potential areas where improvements can be made to ensure that diagnosis codes that are at high risk for being miscoded comply with Federal requirements (when submitted to CMS for use in CMS's risk adjustment program) and take any necessary steps to enhance those current procedures.

SelectCare disagreed with some of our findings and recommendations and provided additional information for certain sampled enrollee-years. SelectCare also disagreed with our audit methodology and stated that we improperly implied that MA organizations are expected to assure that 100 percent of the diagnosis codes received from providers and submitted to CMS are accurate. SelectCare added that it would consider our third recommendation to evaluate and enhance its compliance procedures.

After reviewing SelectCare's comments and the additional information that it provided, we revised the number of enrollee-years in error and reduced the amount in our first recommendation. We made no changes to our second and third recommendations.