Report in Brief

Date: April 2021

Report No. A-07-16-01165

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

Medicare Advantage Compliance Audit of Diagnosis Codes That Humana, Inc., (Contract H1036) Submitted to CMS

Why OIG Did This Audit

Under the Medicare Advantage (MA) program, the Centers for Medicare & Medicaid Services (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. CMS then maps certain diagnosis codes, on the basis of similar clinical characteristics and severity and cost implications, into Hierarchical Condition Categories (HCCs). CMS makes higher payments for enrollees who receive diagnoses that map to HCCs.

For this audit, we reviewed one of the contracts that Humana, Inc., has with CMS with respect to the diagnosis codes that Humana submitted to CMS. Our objective was to determine whether Humana submitted diagnosis codes to CMS for use in the risk adjustment program in accordance with Federal requirements.

How OIG Did This Audit

We selected a sample of 200 enrollees with at least 1 diagnosis code that mapped to an HCC for 2015. Humana provided medical records as support for 1,525 HCCs associated with the 200 enrollees. We used an independent medical review contractor to determine whether the diagnosis codes complied with Federal requirements.

What OIG Found

Humana did not submit some diagnosis codes to CMS for use in the risk adjustment program in accordance with Federal requirements. First, although most of the diagnosis codes that Humana submitted were supported in the medical records and therefore validated 1,322 of the 1,525 sampled enrollees' HCCs, the remaining 203 HCCs were not validated and resulted in overpayments. These 203 unvalidated HCCs included 20 HCCs for which we identified 22 other, replacement HCCs for more and less severe manifestations of the diseases. Second, there were an additional 15 HCCs for which the medical records supported diagnosis codes that Humana should have submitted to CMS but did not.

Thus, the risk scores for the 200 sampled enrollees should not have been based on the 1,525 HCCs. Rather, the risk scores should have been based on 1,359 HCCs (1,322 validated HCCs + 22 other HCCs + 15 additional HCCs). As a result, we estimated that Humana received at least $197.7 million in net overpayments for 2015. These errors occurred because Humana's policies and procedures to prevent, detect, and correct noncompliance with CMS's program requirements, as mandated by Federal regulations, were not always effective.

What OIG Recommends and Humana's Comments

We recommend that Humana refund to the Federal Government the $197.7 million of net overpayments and enhance its policies and procedures to prevent, detect, and correct noncompliance with Federal requirements for diagnosis codes that are used to calculate risk-adjusted payments.

Humana disagreed with our findings and with both of our recommendations. Humana provided additional medical record documentation which, Humana said, substantiated specific HCCs. Humana also questioned our audit and statistical sampling methodologies and said that our report reflected misunderstandings of legal and regulatory requirements underlying the MA program. After reviewing Humana's comments and the additional information that it provided, we revised the number of unvalidated HCCs for this final report. We followed a reasonable audit methodology, properly executed our sampling methodology, and correctly applied applicable Federal requirements underlying the MA program. We revised the amount in our first recommendation from $263.1 million (in our draft report) to $197.7 million but made no change to our second recommendation.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71601165.asp.