

## Report in Brief

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



### Why OIG Did This Audit

Provider-preventable conditions (PPCs) are certain reasonably preventable conditions caused by medical accidents or errors in a healthcare setting. In 2011, the Centers for Medicare & Medicaid Services (CMS) issued Federal regulations prohibiting Federal Medicaid payments for services related to PPCs. The goal of the regulations is to improve quality of care by prohibiting payments for medical errors. Prior OIG audits of nine States found that none of them fully complied with Federal requirements. Based on the information we compiled during those audits, we conducted this audit to identify actions that CMS could take to help States' compliance and to augment States' efforts to improve the quality of care provided to Medicaid beneficiaries.

Our objective was to identify actions that CMS could take to help States comply with Federal requirements prohibiting Medicaid payments for inpatient hospital services related to treating PPCs.

### How OIG Did This Audit

We compiled and analyzed the results of our nine prior audits and reviewed the State plans for each of the nine States. We also interviewed CMS officials and obtained from CMS documentation related to its (1) development and implementation of the Federal regulations related to PPCs and (2) review and approval of State plan amendments incorporating those regulations.

## CMS Could Take Actions To Help States Comply With Federal Requirements Prohibiting Medicaid Payments for Inpatient Hospital Services Related to Provider-Preventable Conditions

### What OIG Found

CMS could take actions to (1) verify that all State plans fully comply with Federal requirements prohibiting Medicaid payments for inpatient hospital services related to treating PPCs and (2) issue clarifying guidance to address specific areas in which States did not comply with those requirements. None of the nine States we previously audited had State plans that included all of the Federal requirements, and one State did not amend its State plan to incorporate the Federal requirements. In addition, five of the nine States did not identify PPCs on inpatient claims from all inpatient hospitals, four States did not correctly use the Medicare list of hospital-acquired conditions to identify all PPCs, four States did not identify PPCs on Medicare crossover claims for individuals dually eligible for Medicare and Medicaid, and one State did not use all of the diagnosis codes reported by inpatient hospitals to identify PPCs.

Although CMS previously issued instructions and guidance on the implementation of the Federal requirements, the results of our audits of the nine States suggest that CMS needs to do more to help States comply with those requirements and to achieve the overall goal of improved quality of care for Medicaid beneficiaries. If CMS does not verify that State plans fully comply with Federal requirements and provide clear guidance on these requirements, States may continue to struggle to prevent unallowable payments for PPCs and may not take measures to improve the quality of inpatient hospital services through the prevention of medical errors.

### What OIG Recommends and CMS Comments

We recommend that CMS verify that all State plans comply with Federal requirements prohibiting payments for PPCs and issue clarifying guidance to States in specific areas (e.g., to help ensure that States identify PPCs on inpatient claims from all inpatient hospitals). We also make other procedural recommendations. The report lists all of our recommendations.

CMS concurred with our recommendations and described actions that it had taken or planned to take to address the recommendations.