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

Medicare Improperly Paid Acute-Care Hospitals $54.4 Million for Inpatient Claims Subject to the Post-Acute-Care Transfer Policy

Why OIG Did This Review

Prior OIG reviews identified almost $242 million in overpayments to hospitals that did not comply with Medicare's post-acute-care transfer policy (transfer policy). These hospitals transferred patients to certain post-acute-care settings, such as skilled nursing facilities (SNFs), but claimed the higher reimbursements associated with discharges to home. Because compliance with the transfer policy has been an issue over a long period, we conducted this followup review to evaluate whether Medicare properly paid acute-care hospitals' claims subject to that policy for those claims with dates of service from January 1, 2016, through December 31, 2018 (audit period).

Our objective was to determine whether Medicare properly paid acute-care hospitals' inpatient claims subject to the transfer policy.

How OIG Did This Review

Our review covered $212 million in Medicare Part A payments for 18,647 inpatient claims subject to the transfer policy. We first identified specific inpatient claims for our audit period that had a patient discharge status code indicating a discharge to home or certain types of healthcare institutions. We used the beneficiary information and service dates from those claims to identify services from post-acute-care providers that began (1) on the same date as the inpatient discharge (e.g., SNF claims) or (2) within 3 days of the inpatient discharge (i.e., home health claims).

What OIG Found

Medicare improperly paid acute-care hospitals $54.4 million for 18,647 claims subject to the transfer policy. These hospitals improperly billed the claims by using the incorrect patient discharge status codes. Specifically, they coded these claims as discharges to home (16,599 claims) or to certain types of healthcare institutions (2,048 claims), such as facilities that provide custodial care, rather than as transfers to post-acute care. Of these claims, 83 percent were followed by claims for home health services, and 17 percent were followed by claims for services in other post-acute-care settings.

Medicare makes the full Medicare Severity Diagnosis-Related Group (MS-DRG) payment to an acute-care hospital that discharges an inpatient to home or certain types of healthcare institutions. In contrast, Medicare pays an acute-care hospital that transfers a beneficiary to post-acute care a per diem rate for each day of the beneficiary's stay in the hospital. The total overpayment of $54.4 million represented the difference between the amount of the full MS-DRG payments and the amount that would have been paid if the per diem rates had been applied.

The Centers for Medicare & Medicaid Services (CMS) officials stated that the edits appropriately detected inpatient claims subject to the transfer policy. However, some Medicare contractors reported that they did not receive the automatic notifications of improperly billed claims or did not take action on those claims to adjust them. If all of the contractors had received the notifications and properly taken action since calendar year 2013, Medicare could have saved $70 million.

What OIG Recommends and CMS Comments

We recommend that CMS direct the Medicare contractors to (1) recover the $54.4 million in identified overpayments, (2) identify any claims for transfers to post-acute care in which incorrect patient discharge status codes were used and direct the Medicare contractors to recover any overpayments after our audit period, and (3) ensure that the Medicare contractors are receiving the postpayment edit's automatic notifications of improperly billed claims and are taking action by adjusting the original inpatient claims to initiate recovery of the overpayments.

CMS concurred with all of our recommendations and provided information on actions that it planned to take to address our recommendations.

The full report can be found at https://oig.hhs.gov/oas/reports/region9/91903007.asp.