

## Report in Brief

Date: June 2024

Report No. A-07-19-01194

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



### 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. Some diagnoses are at higher risk for being miscoded, which may result in overpayments from CMS.

For this audit, we reviewed one MA organization, Independent Health Association, Inc. (IHA), and focused on eight groups of high-risk diagnosis codes. Our objective was to determine whether selected diagnosis codes that IHA submitted to CMS for use in CMS's risk adjustment program complied with Federal requirements.

### How OIG Did This Audit

We sampled 247 unique enrollee-years with the high-risk diagnosis codes for which IHA received higher payments for 2016 through 2017. We limited our review to the portions of the payments that were associated with these high-risk diagnosis codes, which totaled \$744,772.

## Medicare Advantage Compliance Audit of Specific Diagnosis Codes That Independent Health Association, Inc. (Contract H3362) Submitted to CMS

### What OIG Found

With respect to the eight high-risk groups covered by our audit, most of the selected diagnosis codes that IHA submitted to CMS for use in CMS's risk adjustment program did not comply with Federal requirements. Specifically, for 230 of the 247 sampled enrollee-years, the medical records that IHA provided did not support the diagnosis codes and resulted in \$646,217 in overpayments. As demonstrated by the errors found in our sample, IHA's policies and procedures to prevent, detect, and correct noncompliance with CMS's program requirements, as mandated by Federal regulations, could be improved. On the basis of our sample results, we estimated that IHA received at least \$7.0 million in overpayments for 2016 and 2017. Because of Federal regulations that limit the use of extrapolation in Risk Adjustment Data Validation audits for recovery purposes to payment years 2018 and forward, we are reporting the overall estimated overpayment amount but are recommending a refund of only the overpayments for the sampled enrollee-years.

### What OIG Recommends and IHA Comments

We recommend that IHA: (1) refund to the Federal Government the \$646,217 of 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) continue its examination of its existing compliance procedures to identify 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 the necessary steps to enhance those procedures.

IHA disagreed with some of our findings and our first and second recommendations and requested that we withdraw all of our recommendations. Specifically, IHA did not agree with our findings for 17 of the 232 enrollee-years in error identified in our draft report and provided additional information for our consideration. IHA did not directly agree or disagree with our findings for the remaining 215 enrollee-years. IHA did not agree with our audit methodology, use of extrapolation, and standards for data accuracy. After reviewing IHA's comments and the additional information IHA provided, we reduced the number of enrollee-years in error and revised the amount in our first recommendation. We maintain that our second and third recommendations remain valid.