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

Medicare Advantage Compliance Audit of Diagnosis Codes That MMM Healthcare, LLC, (Contract H4003) 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 relative 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). Thus, CMS makes higher payments for enrollees who receive diagnoses that map to HCCs.

For this audit, we reviewed the contract that MMM Healthcare, LLC, has with CMS with respect to the diagnosis codes that MMM submitted to CMS. Our objective was to determine whether MMM 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 2017. MMM provided medical records as support for 688 HCCs associated with these enrollees. We used an independent medical review contractor to determine whether the diagnosis codes complied with Federal requirements.

What OIG Found

MMM did not submit some diagnosis codes to CMS for use in the risk adjustment program in accordance with Federal requirements. Although 580 of the 688 sampled enrollees' HCCs were supported in the medical records and therefore validated, the remaining 108 HCCs were not validated, which resulted in overpayments. These 108 unvalidated HCCs included 11 HCCs for which we identified other HCCs for less severe manifestations of the diseases. In addition, there were 11 HCCs for which the medical records supported diagnosis codes that MMM should have submitted to CMS but did not.

Thus, the risk scores for the 200 sampled enrollees should not have been based on the 688 HCCs. Rather, the risk scores should have been based on 602 HCCs (580 validated HCCs + 11 other HCCs + 11 additional HCCs). As a result, MMM received $165,312 in net overpayments. On the basis of our sample results, we estimated that MMM received approximately $59 million in net overpayments for 2017. Because of Federal regulations that limit the use of extrapolation in RADV audits for recovery purposes to payment years 2018 and forward, we are only recommending a refund of $165,312 in net overpayments for the sampled enrollees. These errors occurred because MMM's policies and procedures to prevent, detect, and correct noncompliance with CMS's program requirements could be improved.

What OIG Recommends and MMM Comments

We recommend that MMM refund to the Federal Government the $165,312 of net overpayments and continue to improve its policies and procedures to prevent, detect, and correct noncompliance with Federal requirements for diagnosis codes that are used to calculate risk-adjusted payments. MMM did not concur with our recommendations and did not agree with our findings for some HCCs in error identified in our draft report and provided additional information for our consideration. In addition, MMM stated that our findings and recommendations are inconsistent with HHS and CMS accuracy requirements, the realities of risk adjustment, and other CMS and OIG audits. MMM also disagreed with our assessment that its current risk adjustment compliance and education programs need improvement. MMM requested that we reconsider or withdraw our recommendations. After reviewing MMM's comments and the additional information provided, we reduced the number of HCCs in error and adjusted our calculation of net overpayments. We also reduced the recommended refund in in our first recommendation to $165,312. We maintain that our second recommendation remains valid.

The full report can be found on the OIG website.