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Jump in a Hospital's Outlier Payments Triggers Another OIG Audit

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In the latest audit of Medicare outlier payments to hospitals, the HHS Office of Inspector General (OIG) said Vanderbilt University Medical Center (VUMC) in Tennessee made charging and coding errors that led to improper payments.[1] Vanderbilt was hit with the audit because its outpatient outlier payments rose from $2.7 million in 2017 to $6.2 million in 2018.

Medicare gives hospitals extra money when they treat high-cost patients to offset the associated financial risk. According to OIG, "a service or group of services becomes eligible for outlier payments when the cost of the service or group of services estimated using the hospital's most recent overall cost-to-charge ratio separately exceeds each relevant threshold. The current hospital outlier payment is calculated on a service basis using both fixed-dollar and multiple thresholds to determine outlier eligibility."

OIG reviewed a stratified random sample of 117 outlier payments totaling $543,684 for services provided from Jan. 1 through Dec. 31, 2018. VUMC was asked to review claims related to the outlier payments. "We requested that VUMC verify that charges and codes on the claim were correct. Additionally, OIG reviewed outlier claims data for inconsistences and claim support documentation for billing errors," the report stated.

OIG's findings: VUMC didn't properly bill Medicare for 81 claims, which had $427,644 in outlier payments. There were 110 billing errors on the claims. Based on OIG's findings, VUMC amended 47 claims, lowering the outlier payments by $172,466. "On the basis of our sample results, we estimated that VUMC received improper outlier payments of at least $686,500 during our audit period," OIG contended.