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Hospital Pays $14M in Settlement Over IRF Stays; A Lot Rides on Preadmission Screening

By Nina Youngstrom

A hospital's $14.35 million settlement with the HHS Office of Inspector General (OIG) over Medicare claims for inpatient rehabilitation is the latest sign of the continued compliance distress in this area. Inpatient rehabilitation facilities (IRFs) are under the microscope of CMS's supplemental medical review contractor,[1] Medicare administrative contractors (MACs) in Targeted Probe and Educate (TPE) and OIG, and they may flunk audits from the get-go if their preadmission screening is skimpy or missing from the medical records submitted to auditors, experts say.

"If you don't clear the first hurdle of preadmission screening, it doesn't matter if you clear the rest," said Regina Alexander, a principal with BerryDunn.

In the recent settlement, OIG alleged that Kadlec Regional Medical Center in Richland, Washington, billed Medicare for items or services it knew or should have known were fraudulent. Between Oct. 24, 2015, and Oct. 26, 2021, the hospital submitted claims to Medicare Part A for inpatient rehab stays that allegedly didn't comply with Medicare coverage criteria, which subjected it to civil monetary penalties. The settlement stemmed from Kadlec's self-disclosure to OIG, according to the settlement, which was obtained through the Freedom of Information Act. The hospital said in a statement that through auditing, "Kadlec became aware of inpatient rehabilitation unit specific claims that did not meet Medicare requirements for documentation and administrative processes for data capture, patient eligibility and billing. Kadlec takes compliance with Medicare seriously and self-disclosed to the OIG the claims that did not meet Medicare's requirements for billing inpatient rehabilitation claims. Kadlec has a robust compliance program and is committed to complying with regulatory requirements. As always, Kadlec is deeply dedicated to the communities we serve and to our mission to provide safe, compassionate care."

In addition to ongoing IRF reviews, OIG again is revisiting IRF claims in a national audit[2] to follow up on recommendations it made in a 2018 version, which found a high error rate,[3] and determining whether there are areas where CMS could clarify payment criteria.