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DRG Window Recoupment Is Coming in Wake of OIG Audit; Similar Item Is Added to Work Plan

By Nina Youngstrom

Some hospitals are adding the long-time compliance risk of the DRG three-day window to their internal work plans and will face Medicare recoupment in the wake of an HHS Office of Inspector General (OIG) May 2020 report^[1] that found millions in overpayments for noncompliance. The pressure is mounting because OIG on Dec. 15 added another oldie but goodie with similar overtones to its Work Plan:^[2] overpayments to acute-care hospitals for outpatient services provided to inpatients of long-term care hospitals, inpatient rehabilitation facilities, inpatient psychiatric facilities and critical-access hospitals.

Revisiting the three-day window payment policy and the outpatient services provided during inpatient stays elsewhere is a reminder that hospitals should “go back and check things that may not be shiny new issues,” said Kelly Sauders, a partner in Deloitte Risk and Financial Advisory. “Despite COVID-19, we are seeing the normal stuff keep going.” There’s tension this year, however, between meat and potatoes and pandemic risk areas, she said. “A lot of the compliance team has put their proactive work plan on hold to help with COVID, for example, focusing on the waivers or telehealth coding and billing,” and some are digging into the terms and conditions of the Provider Relief Fund. “There has definitely been a disruption in the normal work,” Sauders noted. Hospitals, however, should still devote a portion of their work plan to routine items, as Medicare audit gears grind on, with some flexibility.

According to the three-day window rule, hospitals are required to bundle all outpatient diagnostic services provided on the three days before the patient’s inpatient admission, which means they can’t bill separately from the MS-DRG. The same goes for outpatient nondiagnostic (therapeutic) services provided during the three-day window if they are related to the reason for admission. Hospitals also must bundle charges for related emergency room care, observation or outpatient surgery if patients are ultimately admitted. CMS in 2012 extended the DRG window policy to preadmission diagnostic services and certain therapeutic services provided at hospital-owned and -operated physician practices. (The DRG payment window is one day for certain types of hospitals, including psychiatric, inpatient rehab, long-term care and children’s hospitals.)

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