

U.S. Department of Health and Human Services
Office of Inspector General



OIG's Oversight of Medicare Advantage: Denials of Services and Payments

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Presentation to the Federation of American Hospitals
June 15, 2022

HHS Office of Inspector General

Mission, Vision, and Values

Mission

Provide objective oversight to promote the economy, efficiency, effectiveness, and integrity of HHS programs, and the health and welfare of the people they serve

Vision

Drive positive change in HHS programs and in the lives of the people served by these programs

Values

Impact, Innovation, and People-focus

Agenda



**Why Focus on
MA Denials**



**Key Findings:
Prior
Authorization
Denials**



**Key Findings:
Payment
Denials**



**OIG
Recommendations**



**Other OIG
Oversight of
Medicare
Advantage**

Why Focus on MA Denials



Program Size

- Over 26M enrollees in 2021, more than double 2011

Incentives

- Capitated payment system – fewer services/payments can increase profits

Volume of Denials

- 1.5M prior authorization requests (5%) and 56.2 M payment requests (9.5%) in 2018

Evidence of Problems

- OIG analysis of MA appeals outcomes; CMS audits of MAOs flagged widespread, persistent problems

How We Did this Study

WHO: 15 of the largest MAOs by enrollment

- Accounted for nearly 80% of enrollees

WHAT: Stratified random sample of denials

- 250 prior authorization denials and 250 payment denials

WHEN: 1st week of June 2019

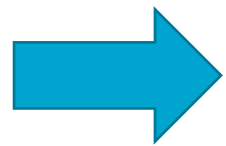
HOW: Review by contracted experts

- Health care coding experts reviewed all case files
- Physicians reviewed medical necessity determinations, as applicable

Key Findings: Prior Authorization Denials



13% of prior authorization denials were for services that met Medicare coverage rules



IMPACT: Denials likely **prevented** or **delayed** needed care

Statistical projection:

1,631 denials for services that met Medicare coverage rules during 1st week of June 2019

- If rate was consistent throughout the year, this would translate to 84,812 denials in 2019

Key Findings: Prior Authorization Denials



MAO use of **internal clinical criteria** contributed to many of these denials in our sample.

CMS has **insufficient guidance** on appropriate use of such criteria.

- Criteria can't be "more restrictive" but can be more specific

CASE EXAMPLE:

Denial of medically necessary CT scan to rule out aneurysm

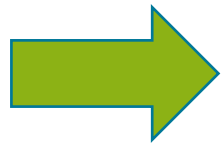
- MAO required x-ray 1st
- Medicare NCD does not



Key Findings: Payment Denials



18% of payment denials were for services that met Medicare coverage rules and MAO billing rules



IMPACT: Denials **prevented** or **delayed** payments to providers for services already delivered

Statistical projection:

28,949 denials for services that met Medicare and MAO rules

- If this rate was consistent throughout the year, this would translate to 1.5 million payment denials

Key Findings: Payment Denials



Human errors during manual reviews → denials in our sample.

MAO systems errors → denials in our sample.

CASE EXAMPLES:

- Denial of payment for radiation treatment because reviewer overlooked documentation in file
- Denial of payment for physical therapy because MAO system failed to correctly route claim



Denied Services in our Sample



Imaging Services

- MAOs often required more basic imaging before approving CT scans or MRIs; Medicare does not have similar blanket requirements

Post-Acute Stays

- MAOs denied requests for transfers to IRFs and SNFs, instead calling for home health care

Injections

- MAO denials for injections sometimes misapplied Medicare coverage rules

OIG Recommendations to CMS



1. Issue **new guidance** on the appropriate use of MAO clinical criteria
2. Incorporate the issues identified in our evaluation into its **audits of MAOs**
3. Direct MAOs **to identify and address vulnerabilities** leading to manual review errors and system errors



CMS agreed with all three recommendations.

OIG Oversight of MA: Other Highlights



MAOs' Use of Chart Reviews and Health Risk Assessments

- \$9.2 billion in payments in 2017 for diagnoses only on chart reviews or health risk assessments and no other service records

Compliance Audits of Diagnosis Codes Submitted by MAOs

- Audits of all diagnoses: \$252M in questioned costs from 2 audits
- Audits of targeted diagnoses: \$34.1M in questioned costs from 7 audits

Availability of Behavioral Health Care

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