

## Part B Insider (Multispecialty) Coding Alert

### Improper Payment Rate: 'Corrective Actions' Decrease Overall Rates

**Hint: Inadequate documentation remains a problem.**

If you've been waiting patiently for Medicare's improper payment rate estimates, you're in luck. Even though the data points to rate declines from federal corrective actions, improper payments are estimated in the billions.

**Context:** On Nov. 16, the Centers for Medicare & Medicaid Services (CMS) announced the fiscal year (FY) 2020 estimated improper payment rates. As part of its Comprehensive Error Rate Testing (CERT) program, CMS publishes the CERT report, which breaks down the biggest errors among Medicare fee-for-service (FFS) claims and covers the causes of the improperly paid charges.

**Reminder:** In light of COVID-19, CMS issued an enforcement discretion and ceased collecting provider data from March to August 2020. "Effective March 27, 2020, the CERT program stopped sending documentation request letters to or conducting phone calls with providers or suppliers to request medical documentation or other data for claims in the 2020 report period (claims submitted July 1, 2018, through June 30, 2019)," notes the Department of Health and Human Services (HHS) FY 2020 Agency Financial Report (AFR).

"To compile the report, CMS adjusted calculation methods for reporting improper payment rates for the 2020 Agency Financial Report (AFR), using data already available at the time of the COVID-19 pandemic or data voluntarily provided. The calculated rates still meet national precision requirements," explains Wachler & Associates in the firm's Health Law Blog.



#### Here's a Breakdown of the Numbers

Overall, the government estimates a 6.27 percent improper payment rate from Part A and B claims during FY 2020, which represents a total of \$25.74 billion in improper payments. This is a decrease from FY 2019's estimated payment rate of 7.25 percent and \$28.91 billion in improper payments. "The decrease was driven by reductions in the improper payment rates for home health and skilled nursing facility claims," an agency fact sheet says.

CMS recorded a \$5.90 billion decrease in estimated improper payments for home health from 2016 to 2020. In addition, "the improper payment rate for home health claims decreased from 12.15 percent in FY 2019 to 9.30 percent in FY 2020," said a CMS spokesperson.

Skilled nursing facilities (SNFs) saw a \$1 billion decrease from 2019 to 2020.

#### Report Outlines Biggest Areas of Concern

Despite the rate decrease and statistical improvements, issues still persist. "Improper payments for hospital outpatient, IRF, SNF, and home health claims were major contributing factors to the FY 2020 Medicare FFS improper payment rate, comprising 34.22 percent of the overall estimated improper payment rate," according to the report.

For FY 2020, there were several "primary causes" that affected the estimated Medicare FFS improper payment rate. Take a look at the percentages from Figure 7 in the report:

- **Insufficient documentation:** The agency highlights the perennial problems that insufficient documentation creates each year. Billing snafus arise when the documentation doesn't support a higher-level code, the medical necessity of the higher code, or even the condition for the payment of the code. The overall impact of insufficient

documentation was significant at a whopping 56.62 percent.

- **Medical necessity:** At 8.37 percent, medical necessity ranked as the second biggest factor adding to this year's estimated FFS improper payment rate. "These errors occur when submitted medical records contain adequate documentation to make an informed decision that services billed were not medically necessary based upon Medicare coverage and payment policies," explains the agency.
- **Non-compliance:** According to the estimates, 6.4 percent of the total improper payments are attributed to noncompliance problems. "If the documentation noncompliance errors were corrected, the government would have made the payment in the assigned amount," the report says. "Therefore, it represents a 'non-monetary loss' to the government."
- **Incorrect coding:** Annually on CMS' naughty list, incorrect coding remains a major contributor with a 5.25 percent FFS error rate. When claims are submitted with the wrong code or a provider listed who didn't perform the service, this ratchets up the incorrect coding rates. In addition, unbundling services, putting the wrong site for a code, downcoding to a lower-level code, and upcoding to a higher-level code also increase this category's numbers.
- **No documentation:** When Medicare providers ignore medical records requests or lack the necessary documentation to back up claims, this rate goes up. Approximately 4.42 percent of the estimated FFS improper payment rate was impacted by this issue.

**Other:** Some claims quandaries blur the lines between groups and accounted for 16.17 percent of the estimated Medicare FFS numbers. "These errors do not fit into the previous categories (e.g., duplicate payment error, non-covered or unallowable service, ineligible Medicare beneficiary, etc.)," the report maintains.



#### **See How 'Corrective Actions' Impacted the Estimated Rates**

CMS points to its Targeted Probe and Educate (TPE) program, facilitated by the Medicare Administrative Contractors (MACs), as a primary factor in the decline of its improper payment estimates. According to the report, "MACs reviewed approximately 1,124 hospital outpatient providers under the TPE program." Additionally, 92 inpatient rehabilitation facilities, 22 SNFs, 582 home health agencies, 754 hospice providers, and 2,463 Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) suppliers were reviewed by the MACs, the report indicates.

Supplemental Medical Review Contractor (SMRC) investigations, Recovery Audit Contractor (RAC) reviews, physician evaluations, and policy reforms were also attributed as corrective actions that helped lower the estimated improper payment rate.

**Resources:** Find the CMS fact sheet at [www.cms.gov/newsroom/fact-sheets/2020-estimated-improper-payment-rates-centers-medicare-medicaid-services-cms-programs](https://www.cms.gov/newsroom/fact-sheets/2020-estimated-improper-payment-rates-centers-medicare-medicaid-services-cms-programs) and the HHS report at <https://www.hhs.gov/sites/default/files/fy-2020-hhs-agency-financial-report.pdf>.