

## Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



### Why OIG Did This Audit

Nutritional marasmus (diagnosis code E41) and unspecified severe protein-calorie malnutrition (diagnosis code E43) are two types of severe malnutrition. Previous OIG audits of severe malnutrition found that hospitals had incorrectly billed Medicare by using severe malnutrition diagnosis codes when they should have used codes for other forms of malnutrition or no malnutrition diagnosis code at all. Diagnosis codes E41 and E43 (severe malnutrition diagnosis codes) are each classified as a type of major complication or comorbidity (MCC). Adding MCCs to a Medicare claim can result in a higher Medicare payment.

Our objective was to determine whether hospitals complied with Medicare billing requirements when assigning severe malnutrition diagnosis codes to inpatient hospital claims.

### How OIG Did This Audit

Our audit covered \$3.4 billion in Medicare payments for 224,175 claims with a discharge date in fiscal year (FY) 2016 or 2017 that contained a severe malnutrition diagnosis code and for which removing the diagnosis code changed the diagnosis-related group (DRG). We selected for review a random sample of 200 claims with payments totaling \$2.9 million. We evaluated compliance with selected billing requirements and submitted the 200 claims to medical and coding review to determine whether the services were medically necessary and properly coded.

## Hospitals Overbilled Medicare \$1 Billion by Incorrectly Assigning Severe Malnutrition Diagnosis Codes to Inpatient Hospital Claims

### What OIG Found

Hospitals correctly billed Medicare for severe malnutrition diagnosis codes for 27 of the 200 claims that we reviewed. However, hospitals did not correctly bill Medicare for the remaining 173 claims. For nine of these claims, the medical record documentation supported a secondary diagnosis code other than a severe malnutrition diagnosis code, but the error did not change the DRG or payment. For the remaining 164 claims, hospitals used severe malnutrition diagnosis codes when they should have used codes for other forms of malnutrition or no malnutrition diagnosis code at all, resulting in net overpayments of \$914,128. On the basis of our sample results, we estimated that hospitals received overpayments of \$1 billion for FYs 2016 and 2017.

### What OIG Recommends and CMS Comments

To address the 164 incorrectly billed hospital claims in our sample, we recommend that the Centers for Medicare & Medicaid Services (CMS) collect the portion of the \$914,128 for the incorrectly billed hospital claims that are within the reopening period and, based on the results of this audit, notify appropriate providers so that the providers can exercise reasonable diligence to identify, report, and return any overpayments in accordance with the 60-day rule. To attempt recovery of the overpayment, which we estimate to be valued at \$1 billion, resulting from incorrectly billed hospital claims paid during our audit period and to ensure claims made after our audit period are correct, we made additional recommendations. One of the recommendations includes reviewing all claims that were not part of our sample but were within the reopening period. The detailed recommendations are in the full report.

CMS concurred with our recommendations and stated that it will instruct its contractors to recover the overpayments consistent with relevant law and CMS's policies and procedures. However, CMS noted that the estimated overpayments we identified represent less than .5 percent of the overall payments made for inpatient services during the audit period. Despite this, CMS stated that it will instruct its contractors to review a sample of claims in the sampling frame to determine whether they were billed correctly. Of the claims that we reviewed, 82 percent were not correctly billed, which we maintain is significant and needs to be addressed. We continue to recommend that CMS review all claims in our sampling frame that were not part of our sample but were within the reopening period and work with the hospitals to ensure they correctly bill Medicare when using severe malnutrition diagnosis codes.