

Why GAO Did This Study

CMS reported an improper payment rate of 8.6 percent (\$28.8 billion) in the Medicare fee-for-service program for fiscal year 2011. To help ensure that payments are made properly, CMS uses controls called edits that are programmed into claims processing systems to compare claims data to Medicare requirements in order to approve or deny claims or flag them for further review.

GAO was asked to assess the use of prepayment edits in the Medicare program and CMS's oversight of MACs, which process claims and implement some edits. This report examines the extent to which (1) CMS and its contractors employed prepayment edits, (2) CMS has designed adequate processes to determine the need for and to implement edits based on national policies, and (3) CMS provides information, oversight, and incentives to MACs to promote use of effective edits. GAO analyzed Medicare claims for consistency with selected coverage policies, reviewed CMS and contractor documents, and interviewed officials from CMS and selected contractors.

What GAO Recommends

GAO recommends that CMS take seven actions to strengthen its use of prepayment edits, such as restructuring some edits, centralizing implementation of others, fully documenting processes, encouraging more information sharing about effective edits, and assessing the feasibility of increasing incentives for edit use. The Department of Health and Human Services generally agreed with GAO's recommendations and noted CMS's plans to address them.

View [GAO-13-102](#). For more information, contact Kathleen King at (202) 512-7114 or kingk@gao.gov.

MEDICARE PROGRAM INTEGRITY

Greater Prepayment Control Efforts Could Increase Savings and Better Ensure Proper Payment

What GAO Found

Use of prepayment edits saved Medicare at least \$1.76 billion in fiscal year 2010, but GAO found that savings could have been greater had prepayment edits been more widely used. GAO illustrated this point using analysis of a limited number of national policies and local coverage determinations (LCD), which are established by each Medicare administrative contractor (MAC) to specify coverage rules in its jurisdiction. GAO identified \$14.7 million in payments in fiscal year 2010 that appeared to be inconsistent with four national policies and therefore improper. These payments could have been prevented through automated prepayment edits. GAO also found more than \$100 million in payments that were inconsistent with three selected LCDs and that could have been identified using automated edits.

The Centers for Medicare & Medicaid Services (CMS) has three processes with some appropriately designed steps to identify the need for, and to implement, edits based on national policies, but each of these processes has at least one weakness. The weaknesses include incomplete analysis of vulnerabilities to improper payment that could be addressed by edits; lack of specific time frames for implementing edits and other corrective actions; flaws in the structure of some edits; lack of centralization in the implementation of some edits, which leads to inconsistencies; incomplete assessment of whether edits are working as intended; and lack of full documentation of the processes. For example, GAO found that Medicare paid \$8.6 million in fiscal year 2010 for claims that exceeded CMS's limits on the quantity of certain services that can be provided to a beneficiary by the same provider on a single date of service. Although edits had been implemented to limit service quantities, a weakness in their structure caused them to miss instances in which quantity limits were exceeded.

CMS informs MACs about vulnerabilities that could be addressed through prepayment edits, but the agency does not systematically compile and disseminate information about effective local edits to address such vulnerabilities. CMS oversees MACs' use of edits partly through its review of certain MAC reports, but these reports are not intended to provide a comprehensive overview of their edits. In January 2011, CMS expanded its oversight activities and began requiring MACs to report on how they had addressed certain vulnerabilities to improper payment, some of which could be addressed through edits. While CMS increased the funding in fiscal year 2011 for contractors' medical review activities, including edit development, the agency provided relatively small incentives—3 percent or less of all contract award fees—to promote use of effective prepayment edits by MACs.