MEDICARE AND MEDICAID

CMS Should Assess Documentation Necessary to Identify Improper Payments

What GAO Found

The Centers for Medicare & Medicaid Services (CMS) uses estimates of improper payments to help identify the causes and extent of Medicare and Medicaid program risks and develop strategies to protect the integrity of the programs. CMS estimates Medicare and Medicaid fee-for-service (FFS) improper payments, in part, by conducting medical reviews—reviews of provider-submitted medical record documentation to determine whether the services were medically necessary and complied with coverage policies. Payments for services not sufficiently documented are considered improper payments. In recent years, CMS estimated substantially more improper payments in Medicare, relative to Medicaid, primarily due to insufficient documentation (see figure).

Estimated Improper Payments Identified through Medical Review in Medicare and Medicaid Fee-for-service, Fiscal Years 2011-2017

For certain services, Medicare generally has more extensive documentation requirements than Medicaid. For example, Medicare requires additional documentation for services that involve physician referrals, while Medicaid requirements vary by state and may rely on other mechanisms—such as requiring approval before services are provided—to ensure compliance with coverage policies. Although Medicare and Medicaid pay for similar services, the same documentation for the same service can be sufficient in one program but not the other. The substantial variation in the programs’ improper payments raises questions about how well the programs’ documentation requirements help identify causes of improper payments in a state, relative to Medicaid, primarily due to insufficient documentation (see figure).

What GAO Recommends

GAO is making four recommendations to CMS, including that CMS assess and ensure the effectiveness of Medicare and Medicaid documentation requirements, and that CMS take steps to ensure Medicaid’s medical reviews effectively address causes of improper payments and result in appropriate corrective actions. CMS concurred with three recommendations, but did not concur with the recommendation on Medicaid medical reviews. GAO maintains that this recommendation is valid as discussed in this report.

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