

OIG Calls for Closer Scrutiny of Medicare

Bad Debt Reimbursement

Richard P. Kusserow | January 2023

Remember to register for the complimentary webinar “[Compliance Leadership: Essential Habits, Skills, and Traits for Success](#),” sponsored by SAI360, to be held January 31, 2023 at 1:00pm Eastern.

Tips for Compliance Officers in 2023

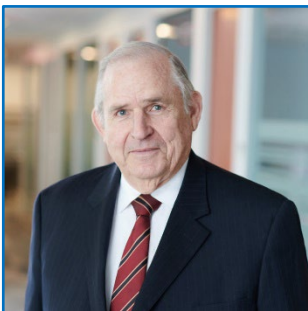
The OIG’s audit of nearly \$10 billion in Medicare provider bad debt reimbursement claims over a three-year period (FY 2016-2018) found that providers did not always comply with Medicare requirements. Medicare reimburses providers for 65% of the deductible and coinsurance amounts that Medicare beneficiaries are unable or unwilling to pay. To receive this reimbursement, providers “must be able to establish that reasonable collection efforts were made, the debt was actually uncollectible when claimed as worthless, and there was no likelihood of future recovery based on sound business judgment.” According to its December 2022 [report](#), OIG found that Medicare bad debt claims were frequently paid when reimbursement should have been denied; and CMS inappropriately reimbursed these amounts as a result of the MACs’ failure to appropriately review bad debts when performing audits of cost reports. The OIG also reported that MACs often did not meet their responsibilities for ensuring proper collection efforts for Medicare bad debts and audits of Medicare cost reports. They called upon CMS and the MAC contractors to take a closer look at providers’ bad debt reimbursement claims and better define thresholds beyond which individual Medicare bad debts would trigger an audit to cut down the

frequency of “inappropriate” payouts. CMS concurred with the OIG recommendations and plans to take remedial actions.

Medicare bad debt is one of the high-risk areas specifically flagged in OIG [Compliance Program Guidance](#) documents. With the result of this new OIG audit, additional attention to this area can be expected. Compliance Officers should consider giving a high priority in 2023 to reviewing the [adequacy of policies, procedures](#), internal controls, and processes that address a beneficiary’s inability to provide their co-payment; and verify they are being followed before claiming bad debt reimbursement.

Be sure to complete the [2023 Healthcare Compliance Benchmark Survey](#).

Keep up-to-date with Strategic Management Services by following us on [LinkedIn](#).



About the Author

Richard P. Kusserow established Strategic Management Services, LLC, after retiring from being the DHHS Inspector General, and has assisted over 2,000 health care organizations and entities in developing, implementing and assessing compliance programs.