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OIG: Medicare Billing for Expensive Inpatient Stays Rose 20%

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Hospitals have been billing for more inpatient stays for patients at the highest severity level, even though the average length of stay has decreased for the same patients, according to a new report from the HHS Office of Inspector General (OIG).^[1] The number of stays at the highest severity level climbed almost 20% from fiscal year (FY) 2014 through FY 2019, “ultimately accounting for nearly half of all Medicare spending on inpatient hospital stays,” OIG said. “Stays at the highest severity level are vulnerable to inappropriate billing practices, such as upcoding.” The highest severity levels are reflected in claims with a principal diagnosis and secondary diagnoses that are considered complications and comorbidities, increasing the reimbursement of the MS-DRG. OIG recommended CMS do targeted reviews of MS-DRGs, inpatient stays that are vulnerable to upcoding and the hospitals that show up in the reviews. “The pandemic has placed unprecedented stress on the country’s health care system, making it more important than ever to ensure that Medicare dollars are spent appropriately.” CMS wasn’t receptive. It said recovery audit contractors (RACs) already conduct DRG validation reviews of higher-paying DRGs, although it will share OIG’s findings with the RACs. Also, CMS said there could be other reasons for the drop in the length of stay. “Without conducting targeted medical review, it is unclear whether the trend could be explained by other factors such as increases in efficiencies of care, advancements in technology, the transition to the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, Clinical Modification (ICD-10-CM), or other changes during this period.”

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