



Highlights of [GAO-04-709](#), a report to the Chairman, Committee on Finance, U.S. Senate

Why GAO Did This Study

Comprehensive Outpatient Rehabilitation Facilities (CORF) are highly concentrated in Florida. These facilities, which provide physical therapy, occupational therapy, speech-language pathology services, and other related services, have been promoted as lucrative business opportunities for investors. Aware of such promotions, you raised concerns about whether Medicare could be vulnerable to overbilling for CORF services. In this report, focusing our review on Florida, we (1) compared Medicare's outpatient therapy payments to CORFs in 2002 with its payments that year to other facility-based outpatient therapy providers and (2) assessed the program's effectiveness in ensuring that payments to CORFs complied with Medicare rules.

What GAO Recommends

GAO recommends that CMS direct the Florida contractor to medically review a larger number of CORF claims. While CMS agreed with our findings, it noted that the contractor is already taking appropriate steps to monitor CORF claims. However, given that CORFs continued to bill significantly more per beneficiary than other outpatient therapy providers under the current level of scrutiny, we maintain that enlarging the number of CORF claims reviewed would promote compliance in this vulnerable area.

www.gao.gov/cgi-bin/getrpt?GAO-04-709.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Leslie G. Aronovitz at (312) 220-7600.

COMPREHENSIVE OUTPATIENT REHABILITATION FACILITIES

High Medicare Payments in Florida Raise Program Integrity Concerns

What GAO Found

In Florida, CORFs were by far the most expensive type of outpatient therapy provider in the Medicare program in 2002. Per-patient payments to CORFs for therapy services were 2 to 3 times higher than payments to other types of facility-based therapy providers. Higher therapy payments were largely due to the higher volume of services—more visits or more intensive therapy per visit—delivered to CORF patients. This pattern of relatively high CORF payments was evident in each of the eight metropolitan statistical areas (MSA) of the state where nearly all Florida CORFs operated and the vast majority of CORF patients were treated. A consistent pattern of high payments and service levels was also evident for patients in each of the diagnosis categories most commonly treated by CORFs. Differences in patient characteristics—age, sex, disability, and prior inpatient hospitalization—did not explain the higher payments that Florida CORFs received compared to other types of outpatient therapy providers.

Steps taken by Medicare's claims administration contractor for Florida have not been sufficient to mitigate the risk of improper billing by CORFs. After examining state and national trends in payments to CORFs in 1999, the contractor increased its scrutiny of CORF claims to ensure that Medicare payments made to CORFs were appropriate. It found widespread billing irregularities in Florida CORF claims, including high rates of medically unnecessary therapy services. Since late 2001, the contractor has intensified its review of claims from new CORF providers and required medical documentation to support certain CORF services considered at high risk for billing errors. It has also required that supporting medical records documentation be submitted with all CORF claims for about 650 beneficiaries who had previously been identified as receiving medically unnecessary services. The contractor's analysis of 2002 claims data for this limited group of beneficiaries suggests that, as a result of these oversight efforts, Florida CORFs billed Medicare for substantially fewer therapy services than in previous years. However, our analysis of all CORF therapy claims for that year indicates that the contractor's program safeguards were not completely effective in controlling per-patient payments to CORFs statewide. With oversight focused on a small fraction of CORF patients, CORF facilities continued to provide high levels of services to beneficiaries whose claims were not targeted by the contractor's intensified reviews.