Highlights of GAO-06-300, a report to congressional committees

March 2006

MEDICARE PAYMENT

CMS Methodology Adequate to Estimate National Error Rate

Why GAO Did This Study

The Centers for Medicare & Medicaid Services (CMS) estimated that the Medicare program paid approximately $20 billion (net) in error for fee-for-service (FFS) claims in fiscal year 2004. CMS established two programs—the Comprehensive Error Rate Testing (CERT) Program and the Hospital Payment Monitoring Program (HPMP)—to measure the accuracy of claims paid.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 directed GAO to study the adequacy of the methodology that CMS used to estimate the Medicare FFS claims paid in error. GAO reviewed the extent to which CMS's methodology for estimating the fiscal year 2004 error rates was adequate by contractor type for (1) the CERT Program, (2) the HPMP, and (3) the combined national error rate (including both the CERT Program and the HPMP).

GAO reviewed relevant CMS documents and reports related to the CERT Program and the HPMP. In addition, GAO reviewed work performed by the Department of Health and Human Services (HHS) Office of Inspector General (OIG) and its contractor that evaluated CMS's fiscal year 2004 statistical methods and other aspects of the error rate estimation process. GAO also conducted interviews with officials from CMS, HHS's OIG, and their contractors.

www.gao.gov/cgi-bin/getrpt?GAO-06-300.

To view the full product, including the scope and methodology, click on the link above. For more information, contact A. Bruce Steinwald at (202) 512-7101 or steinwalda@gao.gov.

What GAO Found

The methodology used by CMS for the CERT Program was adequate to estimate the fiscal year 2004 error rates by contractor type—carrier, durable medical equipment regional carrier (DMERC), and fiscal intermediary (FI). Carriers pay claims submitted by physicians, diagnostic laboratories and facilities, and ambulance service providers. DMERCs pay claims submitted by durable medical equipment suppliers. FIs pay claims submitted by hospitals, home health agencies, hospital outpatient departments, skilled nursing facilities, and hospices. The methodology was adequate because CMS used a large sample—about 120,000 claims—and an appropriate sample selection strategy. For these fiscal year 2004 error rate estimates, CMS made improvements in the collection of medical records that supported the sampled claims. These medical records were appropriately reviewed to determine whether there were errors in payment. CMS used valid statistical methods to estimate the fiscal year 2004 error rates for the carrier, DMERC, and FI contractor types.

The methodology used by CMS for the HPMP was adequate to estimate the fiscal year 2004 error rate by quality improvement organizations (QIO), which are responsible for ascertaining the accuracy of coding and payment of Medicare FFS paid claims for acute care inpatient hospital stays. CMS's sampling methods were adequate because the agency used a large sample, approximately 40,000 claims, that was representative of the population from which it was drawn in terms of average dollar amount per claim. Also, the HPMP had adequate processes in place to ensure appropriate determinations of error. CMS used valid statistical methods to estimate the fiscal year 2004 error rate for the QIO contractor type.

The fiscal year 2004 contractor-type error rate estimates for the CERT Program and the HPMP were appropriately combined to determine the national Medicare error rate through the use of a valid statistical method. CMS estimated the national Medicare error rate by averaging the carrier, DMERC, and FI contractor-type error rates in the CERT Program and the QIO contractor-type error rate in the HPMP, weighted by each contractor type's share of total Medicare FFS payments.

In written comments, HHS noted that GAO found CMS's methodology adequate for estimating the fiscal year 2004 national Medicare FFS error rate. HHS also noted that CMS is continually committed to refining the processes to estimate, as well as lower, the level of improper payments in the Medicare FFS program.

Medicare Net FFS Error Rates and Dollars of Claims Paid in Error, Fiscal Year 2004

CMS program	Contractor type	Error rate (percentage)	Dollars paid in error (in billions)
CERT Program	Carrier	10.7	$6.5
	DMERC	11.1	1.0
	FI	15.8	9.3
HPMP	QIO	3.6	3.1
National Medicare FFS error rate	**All contractor types**	**9.3**	**$19.9**

Source: CMS.