



Billions in Estimated Medicare Advantage Payments From Chart Reviews Raise Concerns

The risk adjustment program is an important Medicare Advantage (MA) payment mechanism. It levels the playing field for MA organizations (MAOs) that enroll sicker beneficiaries who need a more costly level of care. This helps to ensure that sicker beneficiaries have continued access to MA plans. Chart reviews can be a tool to

Key Takeaway

Billions of estimated risk-adjusted payments supported solely through chart reviews raise potential concerns about the completeness of payment data submitted to CMS, the validity of diagnoses on chart reviews, and the quality of care provided to beneficiaries.

improve the accuracy of risk-adjusted payments by allowing MAOs to add and delete diagnoses in the encounter data based on reviews of patients' records. However, chart reviews—particularly those not linked to service records—may provide MAOs opportunities to circumvent the Centers for Medicare & Medicaid Services (CMS) face-to-face requirement and inflate risk-adjusted payments inappropriately.

What OIG Found

Our findings highlight potential issues about the extent to which chart reviews are leveraged by MAOs and overseen by CMS. Based on our analysis of MA encounter data, we found that:

- MAOs almost always used chart reviews as a tool to add, rather than to delete, diagnoses—over 99 percent of chart reviews in our review added diagnoses.
- Diagnoses that MAOs reported only on chart reviews—and not on any service records—resulted in an estimated \$6.7 billion in risk-adjusted payments for 2017.¹
- CMS based an estimated \$2.7 billion in risk-adjusted payments on chart review diagnoses that MAOs did not link to a specific service provided to the beneficiary—much less a face-to-face visit.
- Although limited to a small number of beneficiaries, almost half of MAOs reviewed had payments from unlinked chart reviews where there was not a single record of a service being provided to the beneficiary in all of 2016.

These findings raise three types of potential concerns. First, there may be a data integrity concern that MAOs are not submitting all service records as required. Second, there may be a payment integrity concern if diagnoses are inaccurate or unsupported—making the associated risk-adjusted payments inappropriate. Third, there may be a quality-of-care concern that beneficiaries are not receiving needed services for potentially serious diagnoses listed on chart reviews, but with no service records.

¹ CMS's actual risk-adjusted payments to MAOs incorporate diagnoses from both Risk Adjustment Processing System (RAPS) data and encounter data; however, there is no method to identify which diagnoses in the RAPS data are from chart reviews. Risk-adjustment-eligible diagnoses in the encounter data should be in the RAPS data. If MAOs submitted any eligible diagnoses from chart reviews only in the RAPS or only in the encounter data system, our payment estimates could underestimate or overestimate the actual risk-adjusted payments resulting solely from diagnoses on chart reviews.

Why OIG Did This Review

We undertook this study because of concerns that MAOs may use chart reviews to increase risk-adjusted payments inappropriately. Unsupported risk-adjusted payments are a major driver of improper payments in the MA program, which provided coverage to 21 million beneficiaries in 2018 at a cost of \$210 billion.

CMS risk-adjusts payments by using beneficiaries' diagnoses to pay higher capitated payments to MAOs for sicker beneficiaries—which may create financial incentives for MAOs to make beneficiaries appear as sick as possible. MAOs report these diagnoses via CMS's MA encounter data system and RAPS based on services and chart reviews (i.e., MAO's reviews of a beneficiary's medical record to identify diagnoses that a provider did not submit or submitted in error).

To be eligible for risk adjustment, a diagnosis must be documented in a medical record as a result of a face-to-face visit. Although CMS requires MAOs to identify chart reviews in the encounter data, CMS does not require MAOs to link these chart reviews to a specific service associated with the diagnoses. This may provide MAOs opportunities to circumvent CMS's face-to-face requirement and inflate risk-adjusted payments inappropriately.



Despite the potential for MAOs to misuse chart reviews, CMS has not reviewed the financial impact of chart reviews in the encounter data on risk-adjusted payments. CMS has not assessed variation across MAOs in their chart review submissions. In addition, CMS has not analyzed the quality of care provided to beneficiaries who may have serious health conditions and may not be receiving needed services. Finally, CMS has not yet performed audits that validate diagnoses reported on chart reviews in the encounter data against beneficiaries' medical records. CMS reported that it plans to begin audits that would include such chart reviews later this year.

What OIG Recommends

We recommend that CMS (1) provide targeted oversight of MAOs that had risk-adjusted payments resulting from unlinked chart reviews for beneficiaries who had no service records in the 2016 encounter data, (2) conduct audits that validate diagnoses reported on chart reviews in the MA encounter data, and (3) reassess the risks and benefits of allowing chart reviews that are not linked to service records to be used as sources of diagnoses for risk adjustment. CMS concurred with these recommendations.

How OIG Did This Review

We analyzed 2016 MA encounter data to determine the 2017 financial impact of diagnoses reported only on chart reviews and not on any service record in the encounter data that year. We also analyzed CMS's responses to a structured questionnaire to identify actions taken by CMS to review the impact of chart reviews on MA payments.

Key Terms

Encounter Data

Chart reviews and service records submitted by MAOs to CMS's encounter data system.

Chart Reviews

Records based on MAOs' retrospective reviews of beneficiaries' medical record documentation to (1) add diagnoses not previously submitted or (2) delete diagnoses submitted in error.

Service Records

Records based on information that providers submit to MAOs after providing services or medical items to beneficiaries (non-chart reviews).