



## Upcoding errors result in \$1B in overpayments by CMS

Medical billing and coding is complicated – full stop. The process converts the intricacies of patient encounters into the language used for claims submission and, ideally, payer reimbursement. With the complexities involved, mistakes are bound to occur.

The question becomes how often these errors occur and how they impact the cost of your healthcare – it's estimated that over 80% of bills that come out of this process contain errors. A recent investigation by the Office of Inspector General (OIG) gives us a small window into how healthcare costs are impacted by these mistakes over time.

An OIG report issued in July 2020 uncovered persistent errors across inpatient claims in connection with severe malnutrition diagnosis codes. The OIG's audit confirmed the pervasive misuse of the code by

providers across the country. The audit covered some 224,175 claims between fiscal years (FY) 2016 and 2017, and an associated \$3.4 billion in Medicare payments. The OIG found that out of 200 randomized sample claims reviewed, 173 billed for severe malnutrition when they should have used codes for other forms of malnutrition or contained no evidence to support the use of ANY malnutrition code at all. For 9 of those claims, there was no change in payment based on the OIG's findings. The remaining 164 claims were overpaid in the amount of almost \$1 million based on these errors. The OIG estimates almost \$1 billion in overpayments resulted from these errors in FYs 2016 and 2017 based on this sampling. CMS contractors have been instructed to audit claim payments within the reopening period identified by the OIG and proceed with recoveries of overpayments where appropriate.

The misuse and misapplication of diagnosis codes – commonly referred to as “upcoding” - is not a new problem, but it carries serious implications for providers. Upcoding involves providers billing inaccurate codes in order to receive inflated payments – a provider will bill a code that reflects a higher intensity or level of service than actually occurred. Not only are the costs to the payer unlawfully inflated by this practice, but so are the costs passed on to the consumer. Such billing practices are also potentially violations of the False Claims Act. Upcoding is a frequent target of OIG audits for this reason and, in fact, the OIG has targeted the specific misuse of severe malnutrition codes in previous audits.

All of this leads to the rhino in the room, if providers are incorrectly coding claims submitted to Medicare (a federal program with strict billing guidelines and oversight), resulting in overpayments of at least \$1 billion, it is an almost certainty that you and your health plan have also been victims of upcoding and overbilling. How much has your health plan overpaid for services that were overbilled or were billed but did not occur? [Medliminal](#) aims to prevent these

overpayments from occurring in the first place by conducting pre-payment reviews on behalf of the insurer. Claims are reviewed line by line and errors are caught BEFORE the overpayment can be made. If you receive a bill that seems questionable, speak to your provider and request detailed information regarding charges.

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