

PUBLICATION

OIG February 2018 Work Plan Update

February 28, 2018

The OIG added three items to its Work Plan with the February 2018 update, as listed in the chart below. Two of the items concern annual reports, one addressing the performance of Medicaid Fraud Control Units and the other reporting on the use of price substitution in Medicare Part B drug purchasing. The third item relates to statistical sampling in Medicare fee-for-service administrative appeals of findings by program integrity contractors.

Program integrity contractors utilize statistical sampling to review payments to providers and to identify payments that may be improper. If the contractor identifies "a sustained or high level of payment error," the contractor may use statistical sampling to extrapolate a total overpayment based on a larger population of claims. The statistical estimate for the sample is subject to challenge on appeal. Medicare Administrative Contractors (MACs) and Qualified Independent Contractors (QICs) are responsible for the first two levels of the appeals process, and, according to the OIG, "thus play a critical role in deciding which extrapolations will be upheld."

In the event the sampling methodology is overturned on appeal, the provider is liable only for the amount of the overpayment identified in the sample itself rather than the extrapolated total. Noting "the difference between these amounts is often substantial," the OIG reports it will review the methods used by MACs and QICs to determine whether they "are reviewing statistical estimates in an appropriate and consistent manner."

In its annual report on Medicaid Fraud Control Units (MFCU), the OIG will evaluate information reported by MFCUs for FY17 to summarize the outcomes of civil and criminal enforcement efforts, noting trends in MFCU case results and significant MFCU developments over the course of FY17.

The OIG also will review and report on the effect of price substitution on Medicare Part B reimbursements for covered drugs in 2016. Price substitution occurs when the Average Sales Price (ASP) for a drug differs by more than five percent from the Average Manufacturer Price (AMP) for the drug during the previous two quarters or three of the previous four quarters. The OIG produces annual reports analyzing the results of its quarterly comparisons to evaluate various aspects of the price substitution program and to make recommendations to CMS regarding its use. For example, its two most recent reports found that Medicare saved \$5.4 million in 2015 through price substitution on 13 drugs and \$24 million on 14 drugs in 2014.

Announced	Agency	Title	Component	Report Number(s)
February 2018	Office of Inspector General	State Medicaid Fraud Control Units FY 2017 Annual Report	Office of Evaluation and Inspections	OEI-09-18-00180
February 2018	Centers for Medicare &	Review of Statistical Methods Within the Medicare Fee-for-	Office of Audit	W-00-18-35806

	Medicaid Services	Service Administrative Appeal Process	Services	
February 2018	Centers for Medicare & Medicaid Services	Medicare Part B Drug Payments: Impact of Price Substitutions Based on 2016 Average Sales Prices	Office of Evaluation and Inspections	OEI-03-18-00120