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Insights

Check Before You Repay: CMS Contractors' Overpayment Extrapolation Methods Questioned

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The Department of Health and Human Services, Office of Inspector General ("OIG") conducted an audit and published a new **report** ("Report") that identifies inconsistencies and questionable extrapolation practices used by Medicare contractors to identify Medicare Part A and B overpayments. While the Report is limited to Medicare payments and appeals, it is also a good reminder to analyze and challenge, as applicable, the extrapolation methodology as part of *any* overpayment appeal. A successful extrapolation challenge can significantly reduce the amount of an overpayment.

The Centers for Medicare and Medicaid Services ("CMS") uses Medicare contractors to audit Medicare claims and identify overpayments. CMS contractors sometimes use a statistical sampling methodology in which they review a subset of claims from a larger population and extrapolate the errors within that subset against the entire population to identify the total overpayment. Providers can challenge the extrapolation methodology on appeal, and when they are successful, the overpayment amount can be reduced only to the errors in the claim sample, which can result in a substantial reduction in the overpayment. The Report focused on the Medicare contractors' use of extrapolation and found that the CMS contractors' extrapolation methodologies and practices were inconsistent and recommended that CMS issue more uniform processes and procedures among its Medicare contractors. CMS has not yet announced its overpayment reforms.

State Medicaid programs and Medicaid managed care payors also use extrapolation methodologies to calculate Medicaid overpayments. The audit did not analyze, and the Report does not address, the extrapolation methods used by such Medicaid programs. However, Medicaid providers may also challenge the extrapolation methodology as a means of limiting the overpayment to the claims sample. Providers should make these decisions early on as appeal requirements typically limit the timeline for challenging the overpayment extrapolation.

If you have questions about Medicare or Medicaid overpayment, contact **Brandon W. Shirley** or **Meghan M. Linvill McNab**.