When Medicare Documentation Falls Short Healthcare Organizations Should Consider External Audits

If there is one thing nursing homes and other healthcare providers should take away from the latest Office of Inspector General (OIG) audit, it is this: Medicare billing and documentation continue to be closely monitored. If your Medicare Administrative Contractor (MAC) has allowed claims they have reviewed, that does not mean that you can breathe easy! Often, MAC audits are narrow and may be focused on only one coding or billing component. The recent OIG report clearly identified this issue.

On July 20, 2026, the Department of Health and Human Services (HHS) OIG released an audit involving Medicare Part B services provided to skilled nursing facility (SNF) residents. The audit looked at reviews completed by the MAC, Novitas Solutions, and found an estimated $19.5 million in improper payments. (2026)

While the audit was focused on Novitas Solutions and its claims review process, not directly on the SNFs, it should still get the attention of anyone involved in providing or billing for Medicare Part B services in a SNF setting.

What Did the OIG Find?

The OIG reviewed claims that Novitas had reviewed and allowed from October 1, 2018, through September 30, 2019. Out of the 150 claims reviewed, 91 did not meet Medicare requirements or documentation standards upon re-review. Based on those findings, the OIG estimated that millions of dollars had been paid for services that should not have been reimbursed. This is a significant finding.

It also reinforces something we see regularly when working with healthcare organizations. A claim can look correct on the surface, but a comprehensive review that takes an in-depth look at the entire medical record can identify significant problems.

What Does This Mean for Nursing Homes?

SNFs have a lot of moving parts. There are multiple providers, different disciplines, outside practitioners, billing departments, clinical staff, and a tremendous amount of documentation.

With all of those moving pieces, it is easy for documentation or billing issues to slip through the cracks.

What Does This Mean for Nursing Homes cont.

Some problems an audit may uncover include:

- Documentation that does not fully support the service billed.
- Medical necessity issues.
- Missing or incomplete documentation.
- Services that do not meet Medicare technical requirements.
- Inconsistencies between the medical record and the claim.
- Provider documentation problems.
- Recurring issues that staff may not realize are happening.
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Why Bring in an External Auditor?

At LW Consulting, Inc. (LWCI), our expert consultants work with healthcare organizations to independently review their documentation, billing practices, and compliance processes. We are not part of your day-to-day operations, which allows us to look at your records objectively and identify issues that may otherwise be missed. We review both Medicare Part B and Medicare Part A claims.

An external audit can help answer questions such as:

- Are you meeting Medicare documentation requirements?
- Does the medical record support the services that were billed?
- Are there medical necessity concerns?
- Are you seeing the same issues repeatedly?
- Do your staff and providers understand the requirements?
- What would an outside reviewer find if they looked at your records?
- Are the reviews completed by your MAC complete?

Identifying and addressing these issues proactively is critical to preventing them from becoming findings in a denial, audit, or OIG review.

Don't Wait for a Government Audit

The OIG's recommendations to Novitas included strengthening claims review processes and providing ongoing education to providers and billing staff.

That should be a reminder for providers that education and auditing need to be ongoing, not something that happens only after there is a problem.

An external audit gives your organization an opportunity to identify weaknesses, educate your team, and make corrections before those issues turn into larger financial or compliance concerns.

It also gives leadership a better understanding of where the organization stands.

LWCI Current Audit Findings

LWCI has already identified similar significant findings through its own Medicare Part A and Medicare Part B audit work. These findings show that compliance concerns are not limited to government reviews or MAC claim sampling. When the full resident record is examined, issues often appear in the documentation, coding, and clinical support needed to justify Medicare coverage and payment. Some examples are:

For Medicare Part A residents, LWCI audits have identified stays that did not clearly meet the qualifying hospital stay requirement or did not contain sufficient documentation to support that the resident required a covered skilled level of care. In these situations, the record may include a Medicare Part A admission, but the documentation does not consistently connect the prior hospitalization, physician certification, skilled need, and services actually provided. This creates risk because a claim may appear payable on its face value while still lacking the support needed to withstand a comprehensive audit. Audits identify records not meeting the qualifying hospital stay criteria.

LWCI has also found instances where the active diagnoses reported on the MDS, including Section I8000, did not adequately support the Medicare services documented elsewhere in the medical record. For both Medicare Part A and Medicare Part B reviews, diagnoses must align with the resident's condition, the treatment being provided, and the reason the services are medically necessary. When diagnoses are incomplete, unsupported, outdated, or inconsistent with the clinical documentation, the organization may be unable to show why the service was reasonable and necessary for that resident.

Medicare Part A audits have revealed similar documentation issues. For example, a symptom such as shortness of breath while lying flat may be clinically important, but it must be tied to the assessment, plan of care, orders, interventions, response to treatment, and service billed. If the record does not clearly explain how the symptom supports the specific covered service, the claim may be vulnerable even if the service was actually provided.

Let LWCI Take a Fresh Look

LWCI can help your organization take a proactive, practical approach to Medicare compliance by conducting an independent external audit tailored to your needs. Our consultants can select a random sample of records or claims for review, examine the full patient documentation, and determine whether the medical record supports the services billed, the level of care provided, and applicable Medicare requirements.

After the review, LWCI can prepare an executive summary that clearly outlines the audit scope, methodology, detailed findings, recurring trends, and potential root causes of identified issues. This gives leadership a clear understanding of where documentation, billing, or provider practices may need improvement.

LWCI can also provide targeted education and training to providers, clinical staff, and billing teams so they understand the requirements and can apply them consistently going forward. By identifying concerns early, correcting patterns, and strengthening internal processes, an external audit can help reduce denials, repayments, compliance risk, and avoidable costs over time.

Complete an External Audit

Provide an Executive Summary

Provide Education and Training

Sources

Novitas Solutions, Inc., Improperly Paid Approximately $19.5 Million for Selected Medicare Part B Services Provided to Patients Residing in Nursing Homes. Office of Inspector General | U.S. Department of Health and Human Services. (2026, July 20). https://oig.hhs.gov/reports/all/2026/novitas-solutions-inc-improperly-paid-approximately-195-million-for-selected-medicare-part-b-services-provided-to-patients-residing-in-nursing-homes/

About LW Consulting, Inc.

LW Consulting, Inc. (LWCI) is a recognized leader in providing reimbursement, operational, compliance, and clinical consulting solutions across the healthcare continuum. For more than two decades, we have partnered with healthcare organizations to navigate complex regulatory requirements, strengthen compliance programs, mitigate risk, and improve organizational performance.

Our multidisciplinary team includes clinicians, compliance professionals, certified coders, auditors, reimbursement specialists, and operational experts with extensive experience across post-acute care, physician services, behavioral health, hospitals, and other healthcare settings. We assist organizations with compliance program assessments, coding and documentation audits, investigations, regulatory readiness, education and training, reimbursement support, and independent review services.

LWCI is an experienced Independent Review Organization (IRO) and Independent Monitor, supporting organizations with Corporate Integrity Agreement (CIA) obligations, corrective action plans, and ongoing compliance oversight. We also serve as a trusted resource to healthcare providers, attorneys, government agencies, and industry stakeholders seeking expert guidance in today's increasingly complex regulatory environment.

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