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ISSUE BRIEF

March 2026 | OEI-02-23-00201

**Nursing Homes Inappropriately
Diagnosed Residents with
Schizophrenia to Mask the Misuse
of Antipsychotic Drugs**



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Why OIG Did This Review

- The misuse of antipsychotic drugs in nursing homes has been a longstanding concern, particularly because these drugs can have a sedative effect and might be used as chemical restraints to control residents' behavior. In addition, antipsychotic drugs pose an increased risk of death for elderly patients with dementia.
- In response to concerns about misuse, CMS developed a quality measure—the percentage of residents given antipsychotic drugs—to track use of antipsychotic drugs in nursing homes. This quality measure factors into a nursing home's star rating.
- Residents who have been diagnosed with schizophrenia are not counted toward the quality measure. As a result, nursing homes have an incentive to inappropriately diagnose residents with schizophrenia.
- This is the second in a two-part series assessing antipsychotic drug use in nursing homes.

What OIG Found

OIG's comprehensive review of 40 nursing home inspections completed by CMS found instances of nursing homes inappropriately diagnosing residents with schizophrenia. Specifically, our review of these inspections found instances in which:

- Nursing homes **inappropriately diagnosed residents with schizophrenia to mask the nursing homes' misuse of antipsychotic drugs** and to **artificially inflate their star ratings**.
- **Medical directors made inappropriate schizophrenia diagnoses** to justify prescribing antipsychotic drugs.
- Nursing homes also **used inappropriate schizophrenia diagnoses to skirt Medicare safeguards** intended to protect residents.
- By inappropriately diagnosing schizophrenia, nursing homes **compromised residents' care**.

What OIG Recommends

OIG recommends that [CMS](#):

1. Build on its efforts to **reduce inappropriate schizophrenia diagnoses** in nursing homes.
2. Expand its use of **data to monitor nursing homes' use of schizophrenia diagnoses** and **target oversight**.
3. Increase efforts to ensure that nursing home **residents and their families are fully informed** when antipsychotic drugs are given.

CMS did not explicitly concur or nonconcur with our three recommendations. We encourage CMS to re-examine its position on concurrence in its Final Management Decision.

Primer: Antipsychotic Drug Use in Nursing Homes and the Impact of Schizophrenia Diagnoses

- **Antipsychotic drugs** are used to treat symptoms of psychiatric disorders such as schizophrenia.
- **Schizophrenia** is a serious mental illness with symptoms that typically appear when individuals are teens or young adults.¹ It is **rare** for symptoms of schizophrenia **to appear later in life**.
- The Food and Drug Administration **has not approved the use** of antipsychotic drugs to treat dementia. In fact, the agency imposed its most serious warning—a **boxed warning**, also known as a black box warning—on the use of these drugs by elderly patients with dementia because of the increased risk of death.² Yet, a past OIG report found that a vast majority of **antipsychotic drugs in nursing homes were being prescribed to residents with dementia**.³
- In response to concerns about the use of antipsychotic drugs, **CMS developed a quality measure** that captures the **percentage of residents in the nursing home who receive an antipsychotic drug**.⁴ This quality measure factors into a nursing home’s **star rating**, which reflects the home’s overall performance and is publicly available on Medicare’s Care Compare website.
- A nursing home resident who is given antipsychotic drugs is not counted toward the quality measure if they have a diagnosis of schizophrenia.⁵ As such, nursing homes have **an incentive to diagnose schizophrenia** for residents given antipsychotic drugs in order to improve their star rating. Notably, OIG found that nursing homes’ reporting of **schizophrenia diagnoses increased** following the introduction of the quality measure.⁶
- **This issue brief is the second in a two-part series** assessing antipsychotic drug use in nursing homes.⁷ In the first of the series, **our review of nursing home inspections found that:**
 - Nursing homes **gave antipsychotic drugs to residents with dementia** to manage their behavior for the benefit of staff, despite FDA’s warning that these drugs may increase the risk of death.
 - Even though antipsychotic drugs pose risks to residents’ health, nursing homes **did not take required steps** to help protect residents who were given these drugs.
 - **Medical directors failed to prevent** inappropriate use of antipsychotic drugs.
 - **Nursing home pharmacists failed to identify** medical concerns and did not recommend dose reductions.
 - Inadequate nursing home **policies and procedures undermined safeguards** meant to protect residents.

In the first of the series, **we recommended that CMS:**

- Further **develop resources for nursing homes and increase transparency** in order to reduce inappropriate use of antipsychotic drugs and improve dementia care in nursing homes;
- Take steps to **ensure that nursing home medical directors fulfill their role** in reducing the inappropriate use of antipsychotic drugs;
- Take steps to **ensure that nursing home pharmacists fulfill their role** in reducing the inappropriate use of antipsychotic drugs; and
- Assist nursing homes to **improve their policies and procedures** pertaining to antipsychotic drug use.

FINDINGS

This issue brief assesses nursing homes' use of schizophrenia diagnoses for residents given antipsychotic drugs and the impact of those diagnoses. It is the second in a two-part series focusing on antipsychotic drug use in nursing homes. This issue brief is based on an analysis of a purposive sample of onsite inspection reports—known as surveys—that were completed by CMS and focused on the accuracy of schizophrenia diagnoses and antipsychotic drug use in nursing homes.

These sampled surveys looked at 40 nursing homes across the country. They are based on surveyors' direct observations; record reviews; and interviews with staff, residents, and family members. Surveys are a critical oversight tool for CMS; they also provide comprehensive accounts of how nursing homes are using schizophrenia diagnoses when prescribing antipsychotic drugs. While they do not represent all nursing homes, the findings in this issue brief reveal vulnerabilities in nursing home care that have implications for the wider nursing home population and must be addressed to improve care and better protect residents.

Nursing homes inappropriately diagnosed residents with schizophrenia to mask the nursing homes' misuse of antipsychotic drugs and to artificially inflate their star ratings

A nursing home's star rating provides important information to the public about the nursing home's performance. One quality measure that contributes to the star rating is the antipsychotic quality measure, which is the percentage of the nursing home's residents who are given antipsychotic drugs. Residents who are given antipsychotic drugs do not count toward this quality measure if they have been diagnosed with schizophrenia. Therefore, these residents do not negatively impact a nursing home's star rating.

Nursing homes report to CMS which of their residents have schizophrenia. This is done using resident assessments.⁸ If a nursing home inaccurately reports that residents who are given antipsychotic drugs have schizophrenia, the nursing home's use of antipsychotic drugs would appear lower—and its star rating could be artificially inflated.

Nursing homes acknowledged adding schizophrenia diagnoses to resident records for the purpose of improving the nursing homes' star ratings

Nursing homes added schizophrenia diagnoses to records of residents who were given antipsychotic drugs, not because the residents showed symptoms of schizophrenia, but because the nursing homes wanted to improve their star ratings. At one nursing home, the director of nursing acknowledged that the nursing home routinely added schizophrenia diagnoses to resident records when its antipsychotic quality measure was high. By adding this diagnosis, the nursing home was in effect taking these residents out of the quality measure count, thereby lowering the reported percentage of residents given antipsychotic drugs. At another home, a nurse stated that the facility routinely added diagnoses of schizophrenia “to help our quality measures.”

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We recognize it as a bad practice. It’s just what we all know: schizophrenia will fix the Quality Measures.
– A director of nursing
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Nursing homes watched their quality measures improve once they began adding schizophrenia diagnoses to their residents’ records. Staff in one nursing home reported that they began adding schizophrenia diagnoses to records after recognizing that many of its residents were given antipsychotic drugs. The nursing home’s antipsychotic quality measure improved dramatically within a few years, with the nursing home’s reported percentage for the antipsychotic quality measure dropping from more than 80 percent to 5 percent. The decrease corresponded with the nursing home systematically adding schizophrenia diagnoses to residents’ records, thereby masking the true rate of antipsychotic use. The director of nursing explained that as long as residents had these diagnoses, they do not count against the quality measure.

At some nursing homes, there was an orchestrated effort to add schizophrenia diagnoses to resident records

Nursing homes developed protocols to ensure that residents given antipsychotic drugs had accompanying schizophrenia diagnoses. In some cases, staff described electronic health record alerts that would identify residents prescribed an antipsychotic drug without a schizophrenia diagnosis, prompting nurses to add diagnoses. In other cases, staff printed lists of resident names and told clinicians to add schizophrenia diagnoses to residents’ medical records. On a single day at one nursing home, a nurse practitioner added schizophrenia diagnoses to the records of

dozens of residents given antipsychotic drugs, after he received a call that the antipsychotic drugs were “triggering something.”

As part of these efforts, some nursing homes retroactively changed resident assessments submitted to CMS to say that the residents had schizophrenia. Nursing homes are allowed to submit a correction request if they identify an error in the information submitted to CMS.⁹ At multiple nursing homes, staff engaged in an elaborate practice of “correcting” information that was previously submitted to add a new diagnosis of schizophrenia. Nursing homes reported to CMS that the revisions were due to data entry or transcription errors. However, surveyors determined that nursing homes were changing accurate assessments to inaccurate ones. At one nursing home, staff acknowledged that they would submit correction requests to improve the quality measures. During a single week at this home, nurses submitted correction requests showing that at least five residents given antipsychotic drugs had schizophrenia, even though there was no evidence that the residents had been diagnosed with schizophrenia by a clinician.

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We look at residents who don’t have a diagnosis of schizoaffective disorder and we make a list of those residents to give to the providers.

– A director of nursing, explaining how they assign the new diagnoses to residents given antipsychotic drugs

Nursing home staff reported that it was company policy to add schizophrenia diagnoses to residents’ records

Staff at some nursing homes attributed the practice of adding schizophrenia diagnoses to company policy. Staff at one nursing home stated that the company that owns the nursing home was concerned that the home’s quality measure is negatively impacted if staff do not add schizophrenia diagnoses. At another nursing home, staff acknowledged that the nursing home’s company told staff at homes across their region to add schizophrenia diagnoses.

Nursing homes reportedly received detailed instructions from company officials telling staff how to change schizophrenia diagnoses. Staff described attending seminars and trainings held by the nursing home company that instructed them on how to add schizophrenia diagnoses, including how to modify information that had already been sent to CMS. Staff at two nursing homes received instructions from company officials telling them to diagnose schizophrenia for residents given antipsychotic drugs if the residents had a condition under what was

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It’s company policy that schizophrenia is an appropriate diagnosis.

– An MDS coordinator

referred to as a “schizophrenia umbrella.” This included more than 200 different medical conditions as varied as alcoholism, epilepsy, coma, anxiety disorders, and attention deficit disorder. Company officials acknowledged that this practice also was occurring at other facilities in their chain.

Staff at some nursing homes said that they raised concerns about adding diagnoses to records, but were unable to stop it. At one nursing home, company officials reportedly instructed staff to add schizophrenia even though physicians had not diagnosed it. Staff said that their director of nursing, acting on behalf of the company, would refuse to sign off on assessments until staff added the diagnoses, even if staff strongly opposed it. At another home, staff recalled that if they did not add schizophrenia diagnoses to residents’ records, a company official would instruct them to go back into the records and do so.

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We thought it was wrong when we first heard this. We knew the residents didn't have schizophrenia.

– An administrator, referring to when staff were instructed by corporate officials to add schizophrenia diagnoses for residents given antipsychotic drugs

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Medical directors made inappropriate schizophrenia diagnoses to justify prescribing antipsychotic drugs

The nursing home’s medical director must follow professional standards when diagnosing residents and must ensure that others follow these standards, too.¹⁰ For a new diagnosis of schizophrenia, professional standards call for a comprehensive psychiatric evaluation in which the patient’s condition must meet a detailed set of clinical criteria.¹¹

However, some medical directors did not follow professional standards. These medical directors diagnosed residents with schizophrenia not because they had schizophrenia, but instead to justify prescribing antipsychotic drugs. For instance, one medical director diagnosed a 77-year-old resident with schizophrenia without seeing the resident or conducting an evaluation. This medical director acknowledged that he made the diagnosis because he had prescribed antipsychotic drugs. Another medical director diagnosed schizophrenia to justify

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It’s just that using that diagnosis will get the job done. No one will question the use [of the antipsychotic].

– A medical director, explaining why he diagnosed a resident with schizoaffective disorder

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prescribing the drugs to a 91-year-old resident in hospice care. Other medical directors simply signed off on schizophrenia diagnoses without question. These medical directors did not review medical records or ensure that residents had evaluations.

Medical directors also did not ensure that other nursing home staff met the standards when diagnosing residents, and at times even directed them to add inappropriate schizophrenia diagnoses to resident records. The medical director at one nursing home instructed a physician assistant to diagnose schizoaffective disorder for residents given antipsychotic drugs, even though the residents did not have symptoms. The physician assistant in this home had determined that the residents had dementia, but instead followed the medical director’s instructions and diagnosed schizoaffective disorder.

Nursing homes also used inappropriate schizophrenia diagnoses to skirt Medicare safeguards intended to protect residents

Medicare has established safeguards to protect nursing home residents from the unnecessary use of antipsychotic drugs. However, nursing homes have attempted to avoid some of these safeguards by inappropriately diagnosing residents with schizophrenia.

Medicare requires that a pharmacist conduct a review of each resident’s medical record at least monthly. The pharmacist is supposed to identify any antipsychotic drug that is prescribed without an adequate indication, such as an appropriate diagnosis. The pharmacist recommends changes to the resident’s medication regimen when warranted.¹² Some nursing home staff openly acknowledged that the purpose of diagnosing schizophrenia was to satisfy pharmacists’ concerns, regardless of whether residents actually met the criteria to be diagnosed with schizophrenia. One medical director called schizoaffective disorder “a wastebasket diagnosis” that satisfies the pharmacy. In some cases, staff sought to avoid questioning from pharmacists by adding schizophrenia diagnoses to resident records prior to pharmacist reviews. When pharmacists are not given correct information, it impedes their ability to conduct an objective review and identify inappropriate antipsychotic drug use.

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The problem is the diagnosis has to match [the drug]. The pharmacy will ask why you’re using a particular diagnosis.
– A medical director who signed off on new schizophrenia diagnoses for residents who did not have schizophrenia
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Nursing homes also used schizophrenia diagnoses to skirt Medicare requirements and avoid citations during the survey process. For instance, one medical director conceded that he changed residents' diagnoses to schizophrenia to keep the nursing home from being cited by surveyors. When nursing homes provide surveyors with inaccurate records, surveyors cannot assess what is actually happening in the nursing home and may not uncover conditions that are harmful to residents.

By inappropriately diagnosing schizophrenia, nursing homes compromised residents' care

Nursing homes are required to provide care to meet residents' needs in accordance with resident goals and professional standards of practice.¹³ However, inappropriate schizophrenia diagnoses led to nursing homes failing to meet real needs of their residents. At times, a schizophrenia diagnosis meant that residents did not receive a thorough evaluation of their symptoms, or any evaluation at all. Moreover, residents with dementia were treated as though they had schizophrenia and, therefore, did not receive appropriate treatment for dementia, including non-drug interventions.

Some residents' needs were not met when their symptoms were wrongly attributed to schizophrenia. Acute medical issues such as infections were sometimes labeled as schizophrenia before proper assessments were made. For example, a nursing home's psychiatric

physician assistant noted that laboratory testing had not been done to rule out an acute medical issue for an 85-year-old resident who had been diagnosed with schizophrenia. The physician assistant concluded that the resident's symptoms were not due to schizophrenia but were more likely due to an acute change in the resident's condition.

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She came in and was diagnosed one month later.... I do question the accuracy of this diagnosis [...] There are no symptoms to support the diagnosis of schizoaffective disorder, and I question the use of [an antipsychotic drug]. She does not need this medication [...] and she should be provided non-drug interventions.

— A psychiatrist

Inappropriate diagnoses impeded coordination of residents' care

Some nursing home clinicians had concerns that the inappropriate diagnoses would impair the coordination and care residents received in the future, noting that the diagnosis would impact residents throughout their lives.

Sometimes the staff most familiar with residents questioned whether new schizophrenia diagnoses were accurate. Upon learning of a resident’s new diagnosis, one psychiatrist said, “He does not have schizophrenia. Where did you see that diagnosis?” This psychiatrist had known the resident for years, even before the resident moved to the nursing home.

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It boils my blood when you misdiagnose someone for a medication. That diagnosis follows them around forever.

– A psychiatric physician assistant

New schizophrenia diagnoses led to discrepancies in resident records. For example, at one nursing home, a 71-year-old resident’s attending physician added schizophrenia to the resident’s records multiple times. However, during the same time period, the resident’s psychiatrist noted consistently that the resident did not have schizophrenia.

Nursing homes did not inform family members about new schizophrenia diagnoses

Nursing homes must keep residents and their representatives informed about residents’ condition and treatment.¹⁴ Yet, families made clear that nursing homes did not tell them about new schizophrenia diagnoses. Family members expressed frustration that important medical information was withheld, given how closely involved they were in coordinating residents’ care. One family member stated, “No one told me he has schizoaffective disorder. I went with him to all of his VA appointments [...]”

Families and others further questioned why they were not told that the nursing home documented schizophrenia as the reason for prescribing antipsychotic drugs. A court-appointed guardian had not been informed of a 78-year-old resident’s schizophrenia diagnosis and worried that she could not fulfill her responsibilities as guardian: “I didn’t know that she’s been diagnosed with schizophrenia [since admission.] I need to know that – I have to make a report to the court next month.”

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I didn’t realize that she had been diagnosed with schizophrenia since admission. This is the first of our knowledge [...] That seems very serious and very inaccurate.

– A family member

CONCLUSION AND RECOMMENDATIONS

In the first part of this two-part series, we found that nursing homes inappropriately gave antipsychotic drugs to residents with dementia to manage their behavior, despite FDA's warning that these drugs may increase the risk of death. In this second part of the series, we found that nursing homes inappropriately diagnosed schizophrenia to mask their misuse of antipsychotic drugs, artificially inflate their star rating, and skirt established safeguards meant to protect residents. As a result, nursing homes compromised residents' care. By identifying and highlighting the serious and harmful consequences of inappropriate diagnoses, this issue brief demonstrates the need for clear and sustained action from CMS and nursing homes. CMS has been concerned about this issue and taken significant action, including those actions discussed below. Earlier actions taken by CMS include the 2012 formation of its National Partnership to Improve Dementia Care in Nursing Homes. The findings and recommendations in this issue brief are intended to bolster and expand on CMS's prior and ongoing efforts.

This issue brief provides further support for the recommendations made in the first part of this series that address resources for nursing homes, responsibilities of medical directors and pharmacists, and nursing home policies and procedures. This issue brief also makes additional recommendations to reduce inappropriate schizophrenia diagnoses and to protect residents and the integrity of the star rating system.

We recommend that CMS:

Build on its efforts to reduce inappropriate schizophrenia diagnoses in nursing homes

CMS should build on recent changes it has made to the survey process to reduce instances of nursing homes inappropriately diagnosing residents with schizophrenia. CMS revised guidance to surveyors about assessing nursing homes' documentation supporting schizophrenia diagnoses.¹⁵ CMS also instructed surveyors to consider referring clinicians to their State board if they inappropriately diagnose residents with schizophrenia. CMS should expand these efforts and consider imposing additional remedies on nursing homes when they are found by surveyors to have inappropriately diagnosed residents with schizophrenia.¹⁶ Additional remedies CMS could apply to nursing homes include increased civil money penalties or less time to demonstrate compliance prior to the imposition of even stronger remedies, such as a denial of payment for new admissions.

CMS should also build on the audits it conducts of nursing homes' reporting of schizophrenia on resident assessments.¹⁷ These audits contain important

information about whether nursing homes fulfill their responsibilities. CMS should maximize the impact of this work and make the findings of its audits public. CMS could post audit findings on Care Compare, alongside survey reports. Increased transparency about a nursing home's performance will benefit residents and families as well as other consumers and will help hold nursing homes accountable to provide quality care.

Lastly, CMS should expand its messaging about this issue by reaching out directly to nursing homes to communicate the seriousness of the matter. Nursing homes themselves play a critical role in adopting policies and procedures for their operations that ensure that they self-assess and comply with applicable Medicare requirements. CMS has communicated its position to surveyors through guidance updates. CMS should communicate directly with nursing homes to make clear that it is a violation of Medicare requirements to use schizophrenia diagnoses to mask the extent to which nursing homes give residents antipsychotic drugs improperly and to artificially inflate their star rating.

Expand its use of data to monitor nursing homes' use of schizophrenia diagnoses and target oversight

CMS should build on actions it has taken to use data to monitor and target oversight in order to reduce nursing homes' inappropriate use of schizophrenia diagnoses. By effectively using data, CMS can help ensure that nursing homes are not adding schizophrenia diagnoses to resident records for the purpose of improving the nursing home's star rating.

Notably, CMS recently revised the quality measure on antipsychotic use to increase the measure's accuracy by validating schizophrenia diagnoses.¹⁸ This is an important step toward improving CMS's ability to gauge antipsychotic drug use in nursing homes. CMS should use this measure to monitor nursing homes and, moving forward, assess this measure to ensure that the revisions adequately address the underlying incentives for nursing homes to diagnose residents with schizophrenia to mask their use of antipsychotic drugs.

In addition, CMS should use other measures to monitor nursing homes that continue to inappropriately diagnose residents with schizophrenia. These measures could target nursing homes with a high number of new schizophrenia diagnoses or those that more frequently change past resident assessments to show that residents have schizophrenia. As we found, nursing homes may be using correction requests as a strategy to add schizophrenia diagnoses to resident assessments.

Further, CMS should monitor nursing homes owned by the same company or that have shared owners to assess whether these nursing homes raise similar concerns related to antipsychotic drug use or inappropriate schizophrenia diagnoses. CMS has recently made some information about nursing homes with shared owners publicly

available, which can help consumers make more informed care choices.¹⁹ CMS should also use this information and other data to monitor nursing homes with shared owners to detect patterns of inappropriate schizophrenia diagnoses.

CMS should use the results of the different monitoring efforts discussed above to prioritize resources and target oversight of nursing homes that may be inappropriately diagnosing residents with schizophrenia. As part of this effort, CMS should take into account the results of its monitoring for nursing homes owned by the same company, alongside other factors. CMS could use the additional information it gathers to select nursing homes for its audits of schizophrenia reporting on resident assessments. In addition, CMS could also use the results of its monitoring to inform its new initiative to prioritize nursing home surveys. It could use these data to better identify nursing homes that should receive a full survey, rather than an abbreviated survey.²⁰ In addition, CMS could provide the information to surveyors to more fully inform their survey of the nursing home. CMS should also consider additional opportunities to use this information to more efficiently target its oversight.

Increase efforts to ensure that nursing home residents and their families are fully informed when antipsychotic drugs are given

Our review found that residents and families were not informed of new schizophrenia diagnoses. When residents and their representatives—often family members—are fully informed, they can engage more effectively in their care.²¹ They can also serve as a safeguard against the inappropriate use of antipsychotic drugs and the inappropriate diagnoses that hide such use.

CMS should provide education and training to support nursing homes in meeting their responsibility to keep residents and their families fully informed when giving antipsychotic drugs. This education and training should instruct nursing home staff about their responsibilities and equip staff with effective practices to inform and engage residents and their families. CMS could also provide tools, templates, or other materials that nursing homes could use to educate residents and families to ensure that they are fully informed about the use of antipsychotic drugs. This work could be coordinated through CMS's Quality Improvement Organizations.

AGENCY COMMENTS AND OIG RESPONSE

CMS did not explicitly concur or nonconcur with our three recommendations. CMS stated that its approach to the oversight of nursing homes, including their use of medications, is constantly evolving and that CMS is continuously looking for ways to improve its oversight of the inappropriate use of antipsychotic drugs. We encourage CMS to re-examine its position on concurrence in its Final Management Decision.

CMS did not explicitly concur or nonconcur with our first recommendation to build on its efforts to reduce inappropriate schizophrenia diagnoses in nursing homes. CMS stated that it conducts off-site schizophrenia audits that target nursing homes that may be inappropriately diagnosing schizophrenia. CMS requested that this recommendation be closed, also noting that surveyor guidance includes a civil money penalty for falsification of a resident assessment.

OIG recognizes the actions CMS has taken to improve the survey process and to conduct audits. OIG agrees that these audits contain important information about whether nursing homes fulfill their responsibilities and reiterates the recommendation to build on these efforts. For example, CMS should maximize the impact of its audits by making the findings public, thereby increasing transparency about a nursing home's performance.

CMS did not explicitly concur or nonconcur with our second recommendation to expand its use of data to monitor nursing homes' use of schizophrenia diagnoses and target oversight. CMS noted that it is updating the antipsychotic measures by including Medicare and Medicaid claims data and Medicare Advantage encounter data to supplement MDS data, and requested that OIG close this recommendation.

OIG recognizes CMS efforts to expand the use of data to increase the accuracy of the long-stay antipsychotic quality measure. As noted in this report, it is an important step toward improving CMS's ability to gauge antipsychotic drug use in nursing homes. However, there are other, important ways to expand the use of data to improve monitoring and oversight. For example, CMS should use data to support other measures to monitor nursing homes that continue to inappropriately diagnose residents with schizophrenia and monitor nursing homes owned by the same company or that have shared owners to assess whether these nursing homes raise similar concerns.

CMS did not explicitly concur or nonconcur with our third recommendation to increase efforts to ensure that nursing home residents and their families are fully informed when antipsychotic drugs are given. CMS stated that it clarified in surveyor guidance that residents have the right to be informed and participate in their treatment, and CMS requested that OIG close this recommendation.

OIG recognizes the revisions made to the surveyor guidance to clarify resident rights. Our recommendation complements CMS's efforts. CMS should provide education and training to support nursing homes in meeting their responsibility to keep residents and their families fully informed when given antipsychotic drugs. This work could be coordinated through CMS's Quality Improvement Organizations.

For the full text of CMS's comments, see the Appendix.

METHODOLOGY

We based this issue brief on a review of key documents about requirements related to antipsychotic drug use, diagnosing schizophrenia, and reporting this information on nursing home resident assessments. We also based this issue brief on an analysis of a purposive sample of onsite inspection reports—known as surveys—that were completed by CMS. These sampled surveys were the same used in the first issue brief of the series, *Nursing Homes’ Inappropriate Use of Antipsychotic Drugs Poses a Risk to Residents*, OEI-02-23-00200. They assess whether nursing homes meet requirements and are based on surveyors’ direct observations; record reviews; and interviews with staff, residents, and family members.

Data Collection and Analysis

Document Review. We reviewed relevant documents related to Medicare requirements for the use of antipsychotic drugs, professional standards when diagnosing residents, and reporting information (e.g., diagnoses) on nursing home resident assessments. These documents included CMS’s Requirements of Participation and CMS’s State Operations Manual, and other guidance and protocols for surveyors. For additional context, we reviewed information issued by CMS, including memoranda to surveyors and information from the National Partnership to Improve Dementia Care, as well as other studies and related information.

Sample Selection. We reviewed a sample of surveys focused on dementia care or schizophrenia that CMS conducted from 2018 through 2021.²² These types of surveys specifically address the use of antipsychotics, including the accuracy of schizophrenia diagnoses for residents given antipsychotics.²³ We requested from CMS all survey reports focused on dementia care or schizophrenia conducted from 2018 through 2021.²⁴ We then purposively selected a sample of 40 survey reports for review. We selected the sample using a range of criteria including recency of the survey; type of survey; and citations related to the inappropriate use of antipsychotic drugs, which involved inappropriately adding schizophrenia to resident records.

Survey Report Review. We developed and used a document review tool to review the sampled survey reports. We conducted these reviews to describe and characterize nursing home practices and processes related to inappropriate schizophrenia diagnoses. We focused on key areas, including the addition of schizophrenia diagnoses to resident records (e.g., MDS assessments); the impact on nursing homes’ star rating; company policy regarding the use of these diagnoses; and the role of the medical director. We also reviewed the survey reports to describe the various ways resident care was impacted by the addition of schizophrenia diagnoses. These survey reports often include statements from interviews that the surveyors

conducted with staff, residents, and family members. The quotes in this issue brief are taken from these statements.

Limitations

This report is based on a purposive sample of surveys. Therefore, we do not determine the extent of inappropriate schizophrenia diagnoses by all nursing homes. We based our analysis on the information included in the survey reports. We did not independently verify the accuracy of the information in the survey reports.

Standards

We conducted this study in accordance with the *Quality Standards for Inspection and Evaluation* issued in 2020 by the Council of the Inspectors General on Integrity and Efficiency.

APPENDIX

Appendix: Agency Comments

Following this page are the official comments from CMS.

*Administrator*

Washington, DC 20201

DATE: November 19, 2025

TO: Ann Maxwell
Deputy Inspector General for Evaluations and Inspections

FROM: Dr. Mehmet Oz 
Administrator

SUBJECT: Office of Inspector General Draft Report: Nursing Homes Inappropriately Diagnosed Residents with Schizophrenia to Mask the Misuse of Antipsychotic Drugs (OEI-02-23-00201)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of Inspector General's (OIG) draft report.

CMS is charged with developing and enforcing quality and safety standards across the nation's health care system, a responsibility we take seriously. This duty is especially important when it comes to the care provided for people covered by Medicare and Medicaid who live in nursing homes. CMS's approach to the oversight of Medicare and Medicaid-certified nursing homes is constantly evolving, including their use of medications, and CMS is continuously looking for ways to improve our oversight of the unnecessary use of antipsychotic and psychotropic drugs. It is important to highlight that OIG's findings in this report are based on analysis of sample inspection survey results conducted by CMS and the State Survey Agencies (SAs), which means the CMS survey process effectively identified the unnecessary use of antipsychotic drugs in these cases. As always, when a survey identifies non-compliance, the deficiencies are immediately addressed, and thus CMS has already addressed the specific instances OIG highlighted in the report.

Upon a resident's entry to a Medicare or Medicaid-certified nursing home, each facility must make a comprehensive assessment of the resident's needs, strengths, goals, life history and preferences.¹ Each resident is expected to receive an accurate assessment², reflective of the resident's status at the time of the assessment, by staff qualified to assess relevant care areas and are knowledgeable about the resident's medical, functional, and psychosocial problems and identify resident strengths to maintain or improve medical status, function abilities, and psychosocial status using the Resident Assessment Instrument (RAI). The assessment must be based on the physical, mental, and psychosocial condition of each resident. These assessments must include an appropriate level of involvement of physicians, nurses, pharmacy, rehabilitation therapists, activities professionals, medical social workers, dietitians, and other professionals,

¹ 42 C.F.R. § 483.20(b)

² 42 C.F.R. § 483.20(g)

such as development disabilities specialists in assessing the resident and in correcting assessments, dependent upon resident need and status.³

The resident's medical record documents and communicates to the entire care team the basic elements of the care process and the resident's goals and preferences. Information about aspects of the care process related to medications may be found in various locations within the record, such as hospital discharge summaries and transfer notes, resident assessments, plans of care, lab reports, professional consults, medication orders, Medication Regimen Review reports, and Medication Administration Records.⁴ Nursing homes also submit standardized resident assessment data documented in the Minimum Data Set (MDS), which records the resident's core set of clinical and functional status elements, and entry or discharge status to CMS at specified intervals. MDS information serves as the clinical basis for care planning and care delivery and provides information for Medicare and Medicaid payment systems, quality monitoring, and public reporting. MDS information impacts a nursing home's payment rate and standing in terms of the quality monitoring process.

As OIG raises in the report, CMS is aware nursing homes may have a pattern of clinical documentation or of MDS assessment or reporting practices related to residents diagnosed with schizophrenia that results in data that does not accurately reflect the resident's status, as an attempt to increase performance on the Quality Measures. To account for this behavior, CMS actively monitors nursing homes for inconsistent reporting both through data and survey monitoring.⁵

Specific to antipsychotics, CMS publishes quality measures on the percentage of residents residing in a nursing home for 100 days or less who are given an antipsychotic drug and the percentage of residents residing in a nursing home for 101 days or more who are receiving antipsychotics. This information is also included in the Five-Star Quality Rating System, which calculates an overall quality star rating.⁶ In 2022, CMS conducted off-site pilot audits to test the effectiveness of the MDS audit process created to originally address the issue of erroneous coding of schizophrenia in nursing homes, known as the focused schizophrenia onsite surveys.⁷ The pilot audits revealed several issues related to the inaccurate MDS coding of residents with a diagnosis of schizophrenia. For example, there was an absence of comprehensive psychiatric behaviors noted in their medical records, and these behaviors were related to dementia, rather than schizophrenia. Therefore, CMS began conducting these audits routinely in early 2023, and based upon the results, adjusts the quality measure star rating for nursing homes whose audits reveal inaccurate MDS coding. This action supports CMS's goal to reduce the use of unnecessary antipsychotics and improve the accuracy of the quality measure and the Five-Star Quality Rating System.

³ CMS State Operation Manual, [Appendix PP](#), Tag F-641, pg. 244, Rev. 232, Issued: 07-23-25

⁴ CMS State Operations Manual, [Appendix PP](#), Tag F-757, pg. 621, Rev. 232; Issued 07-23-25

⁵ CMS State Operations Manual, [Appendix PP](#), Tag F-641, pg. 246, Rev. 232; Issued 07-23-25

⁶ Design for Care Compare Nursing Home Five-Star Quality Rating System: [Technical Users' Guide](#), Quality Measure Domain, pg. 18, July 2025

⁷ CMS Memo [QSO-23-05-NH](#), Updated to the Nursing Home Care Compare Website and Five Star Quality Rating System: Adjusting Quality Measure Ratings Based on Erroneous Schizophrenia Coding, and Posting Citations Under Dispute, January 18, 2023

To further address inaccurate coding, in June 2025, CMS announced it is updating the antipsychotic measures by including Medicare and Medicaid claims data and Medicare Advantage encounter data to supplement MDS data.⁸ Medicare and Medicaid claims data and Medicare Advantage encounter data will capture antipsychotic medication used that may be underreported on the MDS. Additionally, MDS-reported exclusion diagnoses are validated with claims and encounter data, reducing the number of excluded residents due to the overreporting of schizophrenia diagnoses on the MDS. These updates leverage data to improve the measure's accuracy. For example, CMS will accurately capture antipsychotic prescribing that falls within the nursing home stay, but not within the 7-day look-back window. CMS will incorporate the new measure on Nursing Home Care Compare on January 28, 2026.

CMS thanks OIG for their efforts on this issue and looks forward to working with OIG on this and other issues in the future.

OIG's recommendations and CMS' responses are below.

OIG Recommendation

Build on its efforts to reduce inappropriate schizophrenia diagnoses in nursing homes.

CMS Response

CMS requests this recommendation be closed as implemented. CMS notes that the OIG's findings presented are from CMS compliance review surveys previously conducted and do not consider the recent changes implemented by CMS. As mentioned above, CMS continues to use MDS data to conduct off-site schizophrenia audits that target nursing homes that may be inappropriately diagnosing residents with schizophrenia. CMS included in the November 2024 LTC surveyors guidance that the penalty for falsification of a resident assessment⁹ includes a civil money penalty of not more than \$1,000 against an individual who willfully and knowingly certifies a material and false statement, or a civil money penalty of not more than \$5,000 against an individual who causes another individual to certify a material and false statement in the resident assessment.¹⁰ However, CMS notes that the OIG may impose significantly greater penalties against and exclude any person who it determines has knowingly presented, or caused to be presented falsified information.¹¹ CMS continues to refer bad actors from Medicare and Medicaid programs to the Office of Inspector General, and the Department of Justice to pursue civil or criminal activity as appropriate.

OIG Recommendation

Expand its use of data to monitor nursing homes' use of schizophrenia diagnoses and target oversight

CMS Response

CMS requests this recommendation be closed as implemented. CMS notes that the findings presented are from CMS compliance review surveys previously conducted and do not consider the recent changes implemented by CMS as addressed above. CMS continues to monitor MDS

⁸ CMS Memo [QSO-25-20-NH](#) Revised: Updates to Nursing Home Care Compare, June 18, 2025, Sept 19, 2025

⁹ 42 C.F.R. §483.20(j)

¹⁰ CMS State Operations Manual, [Appendix PP](#), Tag F-641, pg. 244, accessed on July 23, 2025

¹¹ 42 C.F.R. § 1003.210

data and prioritize targeted oversight of nursing homes that may be inappropriately diagnosing residents with schizophrenia. Specifically, as noted above, CMS is updating the antipsychotic measures by including Medicare and Medicaid claims data and Medicare Advantage encounter data to supplement MDS data. Claims and Medicare Advantage encounter data will capture antipsychotic medication use that may be underreported in the MDS. Additionally, MDS-reported exclusion diagnoses are validated with claims and encounter data, reducing the number of excluded residents due to the overreporting of schizophrenia diagnoses on the MDS.

OIG Recommendation

Increase efforts to ensure nursing home residents and their families are fully informed when antipsychotic drugs were given

CMS Response

CMS requests this recommendation be closed as implemented given the extensive guidance revisions CMS published in November 2024. In the guidance¹², CMS clarifies that in accordance with the requirements at §483.10(c), residents have the right to be informed and participate in their treatment. Prior to initiating or increasing a psychotropic (including antipsychotics) medication, the resident, family, and/or family representative must be informed of the benefits, risks, and alternatives for medication, including any black box warnings for antipsychotic medications, in advance of such initiation or increase. The resident has the right to accept or decline the initiation or increase of a psychotropic medication. To demonstrate compliance, the resident's medical record must include documentation that the resident or resident representative was informed in advance of the risks and benefits of the proposed care, the treatment alternatives, or other options and was able to choose the option they preferred. A written consent form may serve as evidence of a resident's consent to psychotropic medication, but other types of documentation are also acceptable. If a psychotropic medication has been initiated or increased, and there is no documentation demonstrating compliance with the resident's right to be informed and participate in their treatment, noncompliance exists, and a deficiency must be cited.

¹² CMS State Operations Manual, Appendix PP, Tag F-605, pg. 127, accessed on July 23, 2025

ENDNOTES

¹ American Psychiatric Association (APA), *Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-5)*, Schizophrenia.

² FDA notified health care professionals in 2008 that both conventional and atypical antipsychotics were found to be associated with an increased risk of mortality in elderly patients treated for dementia-related psychosis. Food and Drug Administration (FDA), *Information for Healthcare Professionals: Conventional Antipsychotics*, June 2008. Accessed at <https://wayback.archive-it.org/7993/20170722033234/https://www.fda.gov/Drugs/DrugSafety/PostmarketDrugSafetyInformationforPatientsandProviders/ucm107211.htm> on Dec. 10, 2024.

³ OIG, *Medicare Atypical Antipsychotic Drug Claims for Elderly Nursing Home Residents (OEI-07-08-00150)*, May 4, 2011.

⁴ This quality measure reports the percentage of long-stay residents (i.e., those staying more than 100 days) who are given antipsychotic drugs during the target period. CMS, *MDS 3.0 Quality Measures User's Manual*, Version 16.0. Accessed at <https://www.cms.gov/medicare/quality/nursing-home-improvement/quality-measures> in "Downloads" section on Oct. 7, 2024.

⁵ CMS excludes residents with a diagnosis of schizophrenia, Tourette's syndrome, or Huntington's disease from its calculation of the percentage of residents who received an antipsychotic drug. CMS determines which residents have any of these diagnoses using data nursing homes submit for each resident on Minimum Data Set (MDS) resident assessments. Schizophrenia diagnoses on the MDS include schizoaffective disorder. CMS, *MDS 3.0 Quality Measures User's Manual*, Version 16.0. Accessed at <https://www.cms.gov/medicare/quality/nursing-home-improvement/quality-measures> in "Downloads" section on Oct. 7, 2024.

⁶ OIG, *Long-Term Trends of Psychotropic Drug Use in Nursing Homes (OEI-07-20-00500)*, Nov. 14, 2022.

⁷ OIG, *Nursing Homes' Inappropriate Use of Antipsychotic Drugs Poses a Risk to Residents (OEI-02-23-00200)*, March 2026.

⁸ Nursing homes report to CMS which residents have schizophrenia using MDS resident assessments. MDS resident assessments are a nursing home-specific tool that collects routine, standardized information about each nursing home resident. CMS, *Long-Term Care Facility Resident Assessment Instrument (RAI) 3.0 User's Manual*, Version 1.19.1, October 2024. Accessed at <https://www.cms.gov/files/document/finalmds-30-rai-manual-v1191october2024.pdf> on Apr. 28, 2025.

⁹ CMS, *Long-Term Care Facility Resident Assessment Instrument (RAI) 3.0 User's Manual*, Version 1.19.1, October 2024, Chapter 5. Accessed at <https://www.cms.gov/files/document/finalmds-30-rai-manual-v1191october2024.pdf> on Apr. 28, 2025.

¹⁰ 42 CFR § 483.21(b)(3)(i) and 42 CFR § 483.70(g); CMS, *State Operations Manual*, Appendix PP, Rev. 229, issued Apr. 25, 2025, F658 and F841.

¹¹ Center of Excellence for Behavioral Health in Nursing Facilities, *Schizophrenia Facts*. Accessed at https://nursinghomebehavioralhealth.org/wp-content/uploads/2025/05/Schizophrenia-facts_updated_508.pdf on May 15, 2025. For clinical criteria, see APA, *Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-5)*.

¹² Medicare requires that nursing homes work with a licensed pharmacist to review each resident's medication regimen and medical record at least monthly, among other things. The pharmacist reports any irregularities in the resident's medication regimen, including the use of a drug without an adequate indication, to the resident's physician, the nursing home medical director, and the director of nursing. See 42 CFR 483.45(c) and (d). See also CMS, *State Operations Manual*, Appendix PP, Rev. 229, issued Apr. 25, 2025, F756.

¹³ 42 CFR § 483.21(b); CMS, *State Operations Manual*, Appendix PP, Rev. 229, issued Apr. 25, 2025, F656 and F658.

¹⁴ 42 CFR § 483.10(c); CMS, *State Operations Manual*, Appendix PP, Rev. 229, issued Apr. 25, 2025, F552. Residents' representatives can be family members or other legal representatives.

¹⁵ CMS, *REVISED: Revised Long-Term Care (LTC) Surveyor Guidance: Significant revisions to enhance quality and oversight of the LTC survey process (QSO-25-14-NH)*, Mar. 10, 2025. Accessed at <https://www.cms.gov/files/document/qso-25-14-nh.pdf> on Apr. 14, 2025.

¹⁶ CMS has the authority to apply enforcement remedies when nursing homes are found to have violated a requirement during a survey. CMS has applied additional enforcement penalties for certain citations in the past as part of an enhanced enforcement policy. For example, CMS strengthened enforcement actions for infection control citations during the COVID-19 pandemic. See CMS, *EXPIRED: Strengthened Enhanced Enforcement for Infection Control Deficiencies and Quality Improvement Activities in Nursing Homes (QSO-23-10-NH)*, July 30, 2025. Accessed at <https://www.cms.gov/files/document/qso-23-10-nh.pdf> on May 2, 2025. See also 42 CFR § 488.402 and 42 CFR § 488.406.

¹⁷ CMS, *Updates to the Nursing Home Care Compare Website and Five Star Quality Rating System: Adjusting Quality Measure Ratings Based on Erroneous Schizophrenia Coding and Posting Citations Under Dispute (QSO-23-05-NH)*, Jan. 18, 2023. Accessed at <https://www.cms.gov/files/document/qso-23-05-nh-adjusting-quality-measure-ratings-based-erroneous-schizophrenia-coding-and-posting.pdf> on Apr. 14, 2025.

¹⁸ The revised antipsychotic use quality measure incorporates Medicare and Medicaid claims and Medicare Advantage encounter data to supplement the existing resident assessment data. The additional data are used to validate schizophrenia diagnoses that exclude residents from the measure, among other things. CMS, *REVISED: Updates to Nursing Home Care Compare (QSO-25-20-NH REVISED)*, June 18, 2025. Accessed at <https://www.cms.gov/files/document/qso-25-20-nh-revised-2025-09-10.pdf> on March 3, 2026.

¹⁹ CMS, *Updates to Nursing Home Care Compare (QSO-25-20-NH)*, June 18, 2025. Accessed at <https://www.cms.gov/files/document/qso-25-20-nh.pdf> on June 26, 2025.

²⁰ CMS is testing a new risk-based survey approach whereby CMS would identify higher-quality nursing homes that would receive a more focused survey. Other nursing homes would continue to receive a full survey. CMS, *Fiscal Year (FY) 2025 Mission & Priorities document (MPD) – Action (Admin Info: 25-05-All)*, Jan. 13, 2025. Accessed at <https://www.cms.gov/files/document/admin-info-25-05-all.pdf> on Apr. 15, 2025.

²¹ Family members often serve as residents' representatives; in some cases, another legal representative serves as the resident's representative. In this recommendation, we are referring to residents' representatives who may be a family member or another legal representative.

²² CMS implemented focused schizophrenia surveys from 2016 through 2021 and focused dementia care surveys from 2014 through 2019. We reviewed the most recent available surveys.

²³ We did not review standard and other surveys of nursing homes for this report. Standard surveys assess whether nursing homes meet other requirements pertaining to resident rights, transfer and discharge procedures, and food and nutrition services, for example. See Social Security Act § 1819(g) and Social Security Act § 1919(g); 42 CFR § 488.330. See also CMS, *State Operations Manual*, Appendix PP, Rev. 229, issued Apr. 25, 2025.

²⁴ CMS provided 22 focused dementia care survey reports and 56 focused schizophrenia survey reports in response to our request.

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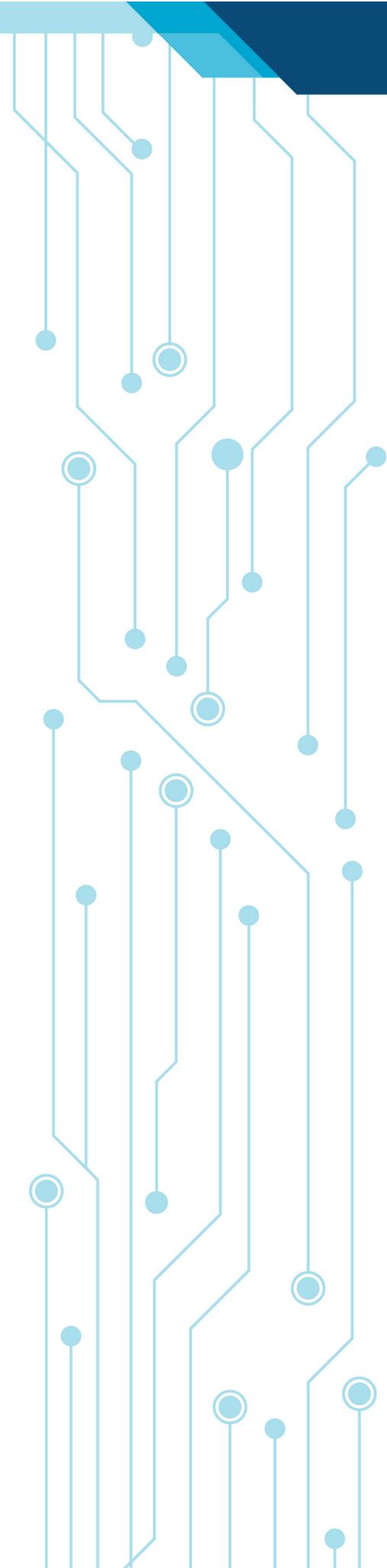
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