



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

Office of Audit Services  
Region I  
John F. Kennedy Federal Building  
Boston, MA 02203  
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November 12, 2008

Report Number: A-01-08-00524

Mr. Tom Dean  
Director of Patient Financial Services  
Franklin Memorial Hospital  
111 Franklin Health Commons  
Farmington, Maine 04938

Dear Mr. Dean:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Medicare Billing for Oxaliplatin at Franklin Memorial Hospital for Calendar Years 2004 and 2005." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Leah Scott, Audit Manager, at (617) 565-2679 or through e-mail at [lscott@oig.hhs.gov](mailto:lscott@oig.hhs.gov). Please refer to report number A-01-08-00524 in all correspondence.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Armstrong". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael J. Armstrong  
Regional Inspector General  
for Audit Services

Enclosure

**Direct Reply to HHS Action Official:**

Nanette Foster Reilly  
Consortium Administrator  
Consortium for Financial Management & Fee for Service Operations  
Centers for Medicare & Medicaid Services  
601 East 12<sup>th</sup> Street, Room 235  
Kansas City, Missouri 64106

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF MEDICARE BILLING  
FOR OXALIPLATIN AT  
FRANKLIN MEMORIAL HOSPITAL  
DURING CALENDAR YEARS  
2004 AND 2005**



Daniel R. Levinson  
Inspector General

November 2008  
A-01-08-00524

# ***Office of Inspector General***

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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# *Notices*

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## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

Pursuant to Title XVIII of the Social Security Act, the Medicare program provides health insurance for people age 65 and over and those who are disabled or have permanent kidney disease. The Balanced Budget Act of 1997, Public Law 105-33, authorized the implementation of an outpatient prospective payment system effective August 1, 2000. Under the outpatient prospective payment system, Medicare makes additional temporary payments, called transitional pass-through payments, for certain drugs, biologicals, and devices.

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. Outpatient hospitals received transitional pass-through payments for oxaliplatin furnished to Medicare beneficiaries from July 1, 2003, through December 31, 2005. Medicare required hospitals to bill one service unit for each 5 milligrams of oxaliplatin that a beneficiary received.

Franklin Memorial Hospital (the Hospital) is a 70-bed, nonprofit acute-care hospital in Farmington, Maine. We reviewed payments to the Hospital for oxaliplatin provided to Medicare beneficiaries during calendar years (CY) 2004 and 2005.

### **OBJECTIVE**

Our objective was to determine whether the Hospital billed Medicare for oxaliplatin in accordance with Medicare requirements.

### **SUMMARY OF FINDING**

The Hospital did not bill Medicare for oxaliplatin in accordance with Medicare requirements. Specifically, the Hospital overbilled the number of units actually administered on three outpatient claims that we reviewed and underbilled the number of units on five such claims. These erroneous claims resulted in a net overbilling to the Medicare Program of \$97,968 for oxaliplatin furnished to hospital outpatients during CY 2004. The overpayments occurred because the Hospital had not established procedures to ensure that the units of oxaliplatin billed corresponded to the units administered. The Hospital correctly billed for the two oxaliplatin claims that we reviewed for CY 2005.

### **RECOMMENDATIONS**

We recommend that the Hospital:

- return the \$97,968 in net overpayments to the fiscal intermediary and
- establish procedures to ensure that units billed for pass-through drugs under the outpatient prospective payment system correspond to the units of drug administered.

### **FRANKLIN MEMORIAL HOSPITAL COMMENTS**

In comments on our draft report, the Hospital concurred with our finding and recommendations. However, in addition to the net overpayments identified in our report, the Hospital identified underpayments outside of our audit period that were related to the same issue. The Hospital reimbursed its fiscal intermediary for the audited overpayments reduced by the unaudited underpayments. The Hospital's comments are included in their entirety in the Appendix.

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## **INTRODUCTION**

### **BACKGROUND**

Pursuant to Title XVIII of the Social Security Act (the Act), the Medicare program provides health insurance for people age 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services (CMS) administers the program.

#### **Outpatient Prospective Payment System**

The Balanced Budget Act of 1997, Public Law 105-33, authorized the implementation of an outpatient prospective payment system for hospital outpatient services furnished on or after August 1, 2000.

Under the outpatient prospective payment system, Medicare payments for most outpatient services are based on ambulatory payment classifications, which generally include payments for drugs billed as part of a service or procedure. However, Medicare makes additional temporary payments, referred to as transitional pass-through payments, for certain drugs, biologicals, and devices. Medicare establishes a timeframe of at least 2 years but no more than 3 years for providing these additional payments for a given drug, biological, or device.

#### **Oxaliplatin**

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. Outpatient hospitals received transitional pass-through payments for oxaliplatin furnished to Medicare beneficiaries from July 1, 2003, through December 31, 2005. Medicare required hospitals to bill one service unit for each 5 milligrams of oxaliplatin that a beneficiary received.

#### **Franklin Memorial Hospital**

Franklin Memorial Hospital (the Hospital) is a 70-bed, nonprofit acute-care hospital located in Farmington, Maine. The Hospital's Medicare claims are processed and paid by National Government Services, the fiscal intermediary for Maine.

### **OBJECTIVE, SCOPE, AND METHODOLOGY**

#### **Objective**

Our objective was to determine whether the Hospital billed Medicare for oxaliplatin in accordance with Medicare requirements.

#### **Scope**

We reviewed 10 payments totaling \$132,613 that Medicare made to the Hospital for oxaliplatin services provided during calendar years (CY) 2004 and 2005.

We limited our review of the Hospital's internal controls to those applicable to billing for oxaliplatin services because our objective did not require an understanding of all internal controls over the submission of claims. Our review allowed us to establish reasonable assurance of the authenticity and accuracy of the data obtained from the National Claims History file, but we did not assess the completeness of the file.

We performed our audit work from April to June 2008.

## **Methodology**

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- used CMS's National Claims History file to identify Medicare payments to the Hospital for oxaliplatin furnished during CYs 2004 and 2005;
- contacted the Hospital to determine whether the identified oxaliplatin services were billed correctly and, if not, why the services were billed incorrectly; and
- worked with the Hospital staff to reprice incorrectly billed services.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

## **FINDING AND RECOMMENDATIONS**

The Hospital did not bill Medicare for oxaliplatin in accordance with Medicare requirements. Specifically, the hospital overbilled the number of units actually administered on three outpatient claims that we reviewed and underbilled the number of units on five such claims. These erroneous claims resulted in a net overbilling to the Medicare Program of \$97,968 for oxaliplatin furnished to hospital outpatients during CY 2004. The overpayments occurred because the Hospital had not established procedures to ensure that the units of oxaliplatin billed corresponded to the units administered. The Hospital correctly billed for the two oxaliplatin claims that we reviewed for CY 2005.

## **MEDICARE REQUIREMENTS**

When hospitals submit Medicare claims for outpatient services, they must report the Health Care Common Procedure Coding System (HCPCS) codes that describe the services provided, as well as the service units for these codes. The Medicare Claims Processing Manual, Publication No. 100-04, Chapter 4, section 20.4, states: "The definition of service units . . . is the number of

times the service or procedure being reported was performed.” In addition, Chapter 1, section 80.3.2.2, of this manual states: “In order to be processed correctly and promptly, a bill must be completed accurately.”

Through its Transmittal A-03-051, Change Request 2771, dated June 13, 2003, CMS instructed outpatient hospitals to bill for oxaliplatin using HCPCS code C9205 to allow a transitional pass-through payment under the outpatient prospective payment system. The description for HCPCS C9205 code is “injection, oxaliplatin, per 5 milligrams.” Therefore, for each 5 milligrams of oxaliplatin administered to a patient, outpatient hospitals should bill Medicare for one service unit.

### **MISCALCULATION OF BILLING UNITS**

The Hospital billed 10 times the correct number of service units on three claims for oxaliplatin furnished to Medicare beneficiaries during CY 2004. Rather than billing one service unit for each 5 milligrams of oxaliplatin administered, as Medicare requires, the hospital billed one service unit for each 0.5 milligrams administered. These three erroneous claims resulted in overpayments of \$113,697.

During CY 2004, the Hospital underbilled Medicare for five claims because the Hospital billed for the number of 50 milligram vials dispensed by the pharmacy rather than the number of 5 milligram units administered to the beneficiary. For example, if a beneficiary received 200 milligrams (i.e., four 50 milligram vials) of oxaliplatin, the Hospital billed for four 5 milligram units of oxaliplatin, whereas the Hospital should have billed for forty 5 milligram units. These five erroneous claims resulted in underpayments of \$15,729.

As a result of these incorrect claims, the Hospital received a net Medicare overpayment of \$97,968 during CY 2004. The incorrect payments occurred because the Hospital had not established procedures to ensure that the units of oxaliplatin billed corresponded to the units administered.

### **RECOMMENDATIONS**

We recommend that the Hospital:

- return the \$97,968 in overpayments to the fiscal intermediary and
- establish procedures to ensure that units billed for pass-through drugs under the outpatient prospective payment system correspond to the units of drug administered.

### **FRANKLIN MEMORIAL HOSPITAL COMMENTS**

In comments on our draft report, the Hospital concurred with our finding and recommendations. However, in addition to the net overpayments identified in our report, the Hospital identified underpayments outside of our audit period that were related to the same issue. The Hospital reimbursed its fiscal intermediary for the audited overpayments reduced by the unaudited underpayments. The Hospital's comments are included in their entirety in the Appendix.

# **APPENDIX**

**FRANKLIN MEMORIAL HOSPITAL***One of the Best Hospitals in New England and Nationally Acclaimed as a Healthcare Leader*

By Federal Express and Facsimile (617-565-3750)

October 13, 2008

Mr. Michael J. Armstrong  
Regional Inspector General for Audit Services  
Office of Audit Services, Region 1  
John F. Kennedy Federal Building  
Boston, Massachusetts 02203

**CIN: A-01-08-00524 (Franklin Memorial Hospital, Provider ID No. 200037)**

Dear Mr. Armstrong:

Franklin Memorial Hospital ("FMH") hereby responds to the draft report, titled "Review of Medicare Billing for Oxaliplatin at Franklin Memorial Hospital during Calendar Years 2004 and 2005," (the "Draft Report") provided to us under your cover letter dated September 16, 2008. As you requested in that letter, I am providing FMH's response to the Draft Report within 30 days. Much of the information herein was discussed in detail in FMH's initial filing in this oxaliplatin audit, addressed to Michael Leeming, Senior Auditor, dated May 9, 2008 (the "Initial Filing").

Overpayment and Reimbursement to FI in Full

FMH has fully reimbursed its fiscal intermediary, National Government services, ("NGS"), for the oxaliplatin overpayments identified in the Draft Report. Under cover letter dated June 11, 2008 (attached as Exhibit A), FMH corrected the \$97,968 net overpayment from January 1, 2004 through December 31, 2005, offset by \$42,526 net underpayment from January 1 through September 30, 2006, and paid NGS \$55,442. FMH provided a copy of this letter, with exhibits, to the Office of Audit Services, under cover letter dated June 12, 2008. (Attached as Exhibit B).

FMH has also corrected an additional \$38,583.60 in underpayments, by processing them through FISS. As set forth in FMH's Initial Filing, its net oxaliplatin overpayment from 2004 to 2008 was \$16,708.

Mr. Michael J. Armstrong

October 13, 2008

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### Remedial Actions

FMH made several important systemic changes to its patient accounting and compliance systems after the oxaliplatin overpayments were made. The facts set forth below were supported in detail in the Initial filing. Today, FMH would either detect similar errors promptly, or more likely, prevent them happening in the first place.

Most directly relevant to the three oxaliplatin overpayments, FMH promulgated a policy in February 2007, requiring patient accounting staff to identify and check every account that is paid in excess of gross charges. Further, in October 2007, FMH added a staff position with the job duty of reviewing payments and denials, and checking that patient accounts follows its policies. Had the new policy and the new position been in place in 2004, FMH would have identified the oxaliplatin overpayments immediately, or prevented them altogether. Both the policy and personnel changes were made prior to FMH having notice of the specific errors that prompted the oxaliplatin audit.

FMH also believes that charge description master ("CDM") maintenance errors are considerably less likely today than when the overpayments occurred. In the fall of 2005, FMH added a full-time chargemaster specialist/compliance assistant. Among that position's duties are regular reviews for the accuracy of CDM line items. The chargemaster specialist regularly consults with experts in Medicare regulations and coding rules, to review current codes and identify any areas of concern.

Please contact me if I can answer any questions you may have, or if you need any additional information. My direct dial is (207) 779-2673.

Very truly yours,



Thomas S. Dean, Esq.  
General Counsel & Compliance Officer

Enclosures