



Office of Audit Services
Region I
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October 30, 2008

Report Number: A-01-08-00525

Mr. Marty Killian
Director of Pharmacy
Memorial Hospital of Rhode Island
111 Brewster Street
Pawtucket, Rhode Island 02860

Dear Mr. Killian:

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 Memorial Hospital of Rhode Island During 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 leah.scott@oig.hhs.gov. Please refer to report number A-01-08-00525 in all correspondence.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Armstrong". The signature is fluid and cursive.

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 and Fee for Service Operations
Centers for Medicare & Medicaid Services
601 East 12th Street, Room 235
Kansas City, Missouri 64106

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

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



Daniel R. Levinson
Inspector General

October 2008
A-01-08-00525

Office of Inspector General

<http://oig.hhs.gov>

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General 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).

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.

Memorial Hospital of Rhode Island (the Hospital) is a 294-bed, nonprofit acute-care hospital in Pawtucket, Rhode Island. 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 12 outpatient claims that we reviewed and underbilled the number of units on 5 such claims. These erroneous claims resulted in a net overbilling to the Medicare Program of \$202,522 for oxaliplatin furnished to hospital outpatients during CYs 2004 and 2005. The overpayments 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 \$202,522 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.

MEMORIAL HOSPITAL OF RHODE ISLAND COMMENTS

In comments on our draft report, the Hospital concurred with our finding and recommendations. 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.

Memorial Hospital of Rhode Island

Memorial Hospital of Rhode Island (the Hospital) is a 294-bed, nonprofit acute-care hospital in Pawtucket, Rhode Island. The Hospital's Medicare claims are processed and paid by Pinnacle Business Solutions, Inc., the fiscal intermediary for Rhode Island.

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 17 payments totaling \$244,802 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 12 outpatient claims that we reviewed and underbilled the number of units on 5 such claims. These erroneous claims resulted in a net overbilling to the Medicare Program of \$202,522 for oxaliplatin furnished to hospital outpatients during CYs 2004 and 2005. The overpayments occurred because the Hospital had not established procedures to ensure that the units of oxaliplatin billed corresponded to the units administered.

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 12 claims for oxaliplatin furnished to Medicare beneficiaries during CY 2005. 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 12 erroneous claims resulted in overpayments of \$218,016.

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 40 5 milligram units. These five erroneous claims resulted in underpayments of \$15,494.

As a result of these incorrect claims, the Hospital received a net Medicare overpayment of \$202,522 during CYs 2004 and 2005. 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 \$202,522 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.

MEMORIAL HOSPITAL OF RHODE ISLAND COMMENTS

In comments on our draft report, the Hospital concurred with our finding and recommendations. The Hospital’s comments are included in their entirety in the Appendix.

APPENDIX



October 3, 2008

Mr. Michael J. Armstrong
Regional Inspector General for Audit Services
Department of Health & Human Services
Region I
John F. Kennedy Federal Building
Boston MA 02203

Dear Mr. Armstrong,

Thank you for the opportunity to respond to the Office of Inspector General's Draft Report "Review of Medicare Billing for Oxaliplatin at Memorial Hospital of Rhode Island During Calendar Years 2004 and 2005"

Memorial Hospital agrees with the Draft Report findings and will return \$202,522 to the fiscal intermediary. Memorial Hospital is committed to providing the very best care to our patients and works to ensure accurate ethical billing practices.

We feel this billing error was the result of confusion over the multiple billing codes for the same medication. In the CMS Transmittal A-03-051 Change Request 2771 dated June 13, 2003 CMS instructed outpatient hospitals to bill for oxaliplatin using HCPCS code J9205 with a unit of service of 5 mg.

To further complicate this matter, in the CMS Manual System Publication 100-04 Medicare Claims, Transmittal 55 dated December 24, 2003, Oxaliplatin is listed as J9263 and reimbursed at \$8.45/0.5mg. Two J Codes for the same medication created the confusion.

We are committed to ensuring compliance with all Medicare billing rules. As a direct result of this audit, the Hospital has implemented internal controls to prevent billing irregularities in the future.

Sincerely,

A handwritten signature in cursive script that reads "Francis R. Dietz".

Francis R. Dietz
President & CEO