



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

JUL 14 2009

Report Number: A-04-09-06100

Mr. James Elmore, Director
Contract Administration
National Government Services, Inc.
8115 Knue Road
Indianapolis, Indiana 46250

Dear Mr. Elmore:

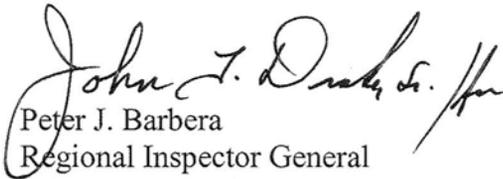
Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Medicare Outpatient Payments for Oxaliplatin in Kentucky." We will forward a copy of this report to the HHS action official noted on the following page for review and 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 Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. 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 Andrew Funtal, Audit Manager, at (404) 562-7762 or through email at Andrew.Funtal@oig.hhs.gov. Please refer to report number A-04-09-06100 in all correspondence.

Sincerely,


Peter J. Barbera
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 E. 12th Street, Room 235
Kansas City, Missouri 64106

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICARE
OUTPATIENT PAYMENTS FOR
OXALIPLATIN IN KENTUCKY**



Daniel R. Levinson
Inspector General

July 2009
A-04-09-06100

Office of Inspector General

<http://oig.hhs.gov>

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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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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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

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Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC

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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

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 Centers for Medicare & Medicaid Services, which administers the program, contracts with fiscal intermediaries to process and pay Medicare Part B claims submitted by hospital outpatient departments. Medicare uses an outpatient prospective payment system (OPPS) to pay for hospital outpatient services.

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. During our audit period (calendar year (CY) 2005), Medicare required hospital outpatient departments to bill one service unit for every 5 milligrams of oxaliplatin administered.

During our audit period, National Government Services, Inc. (NGS) was the fiscal intermediary for Kentucky. We reviewed six payments totaling \$175,949 that NGS made to one hospital in Kentucky. Each of these payments amounted to less than \$50,000 for more than 100 units of oxaliplatin.

OBJECTIVE

Our objective was to determine whether Medicare payments that NGS made to hospitals in Kentucky for oxaliplatin services were appropriate.

SUMMARY OF FINDING

For all six payments reviewed, totaling \$175,949, the hospital used an incorrect HCPCS code with significantly higher payment rates than the correct HCPCS code. As a result, the hospital received overpayments totaling \$146,091 during CY 2005. The hospital attributed the use of an incorrect HCPCS to human error. The overpayments occurred because NGS did not have edits in place to identify incorrect usage of HCPCS codes.

RECOMMENDATION

We recommend that NGS recover the \$146,091 in overpayments made to the hospital.

NATIONAL GOVERNMENT SERVICES COMMENTS

In written comments on our draft report, NGS stated that it complied with our recommendation by recouping the overpayments from the provider. NGS's comments appear in their entirety as the Appendix.

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INTRODUCTION

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 Centers for Medicare & Medicaid Services (CMS) administers the program.

Medicare Fiscal Intermediaries

CMS contracts with fiscal intermediaries to, among other things, process and pay Medicare Part B claims submitted by hospital outpatient departments. The intermediaries' responsibilities include determining reimbursement amounts, conducting reviews and audits, and safeguarding against fraud and abuse.¹

Outpatient Prospective Payment System

Pursuant to the Balanced Budget Act of 1997, P.L. No. 105-33 § 4523, Social Security Act, § 1833, 42 U.S.C. § 1395l, CMS implemented an outpatient prospective payment system (OPPS) for hospital outpatient services. The OPPS applies to services furnished on or after August 1, 2000.

Under the OPPS, Medicare pays for services on a rate-per-service basis using the ambulatory payment classification group to which each service is assigned. The OPPS uses the Healthcare Common Procedure Coding System (HCPCS) to identify and group services into an ambulatory payment classification group.

Oxaliplatin

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. During our audit period (calendar year (CY) 2005), Medicare required hospital outpatient departments to bill for oxaliplatin using HCPCS code C9205. The use of HCPCS code C9205 requires hospitals to bill one service unit for every 5 milligrams of oxaliplatin administered.

National Government Services

During our audit period, National Government Services, Inc. (NGS) was the fiscal intermediary for Kentucky. During that period, the fiscal intermediary made a total of 518 payments to hospitals in Kentucky for claims containing oxaliplatin.

¹Section 911 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173 § 911, Social Security Act § 1842, 42 U.S.C. § 1395u, requires CMS to transfer the functions of fiscal intermediaries to Medicare administrative contractors by October 2011.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Medicare payments that NGS made to hospitals in Kentucky for oxaliplatin services were appropriate.

Scope

We reviewed six payments totaling \$175,949 that NGS made to a hospital for oxaliplatin during CY 2005. Each of these payments amounted to less than \$50,000.

We did not review NGS's internal controls applicable to the six payments because our objective did not require an understanding of controls over the submission and processing 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 conducted fieldwork from January through March 2009. Our fieldwork included contacting NGS, located in Indianapolis, Indiana, and the hospital that received the six payments.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- used CMS's National Claims History file to identify the Medicare fiscal intermediaries that, during CY 2005, processed outpatient claims with a paid amount of \$50,000 or less and a utilization level of 100 units or more of oxaliplatin (payments over \$50,000 were reviewed in other audits);
- selected for review six outpatient claims paid by NGS in Kentucky with a paid amount of \$50,000 or less and a utilization level of 100 units or more of oxaliplatin;
- contacted the hospital that received the six payments to determine whether the service units were billed correctly and, if not, why the service units were billed incorrectly; and
- confirmed with NGS that overpayments occurred and refunds were appropriate.

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 findings and conclusions based on our audit objective.

FINDING AND RECOMMENDATION

For all six payments reviewed, totaling \$175,949, the hospital used an incorrect HCPCS code with significantly higher payment rates than the correct HCPCS code. As a result, the hospital received overpayments totaling \$146,091 during CY 2005. The hospital attributed the use of an incorrect HCPCS to human error.

The overpayments occurred because NGS did not have edits in place to identify incorrect usage of HCPCS codes.

MEDICARE REQUIREMENTS

Section 9343(g) of the Omnibus Budget Reconciliation Act of 1986, P.L. No. 99-509, requires hospitals to report claims for outpatient services using HCPCS codes. CMS's "Medicare Claims Processing Manual," Pub. 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."

Section 3700 of "The Intermediary Manual" states: "It is essential that you [the fiscal intermediary] maintain adequate internal controls over [Title XVIII Medicare] automatic data processing systems to preclude increased program costs and erroneous and/or delayed payments."

DARBEPOETIN BILLED AS OXALIPLATIN

Of the \$175,949 for these six payments, NGS made six overpayments totaling \$146,091 because the hospital billed using the incorrect HCPCS codes on all six claims. The hospital provided the drug darbepoetin instead of oxaliplatin. The following examples illustrate the incorrect HCPCS use and corresponding overpayment:

- The hospital should have billed for 300 units of service using HCPCS code Q0137 for a total of \$6,333. Instead, the hospital billed for 300 units of service using HCPCS code C9205 for a total of \$29,932. The resulting overpayment was \$23,599.
- The hospital should have billed for 600 units of service using HCPCS code Q0137 for a total of \$2,436. Instead, the hospital billed for 600 units of service using HCPCS code C9205 for a total of \$47,444. The resulting overpayment was \$45,008.

The hospital attributed the incorrect claims to human error. The hospital agreed that overpayments occurred and that refunds were due.

The overpayments occurred because NGS did not have edits in place to identify incorrect usage of HCPCS codes.

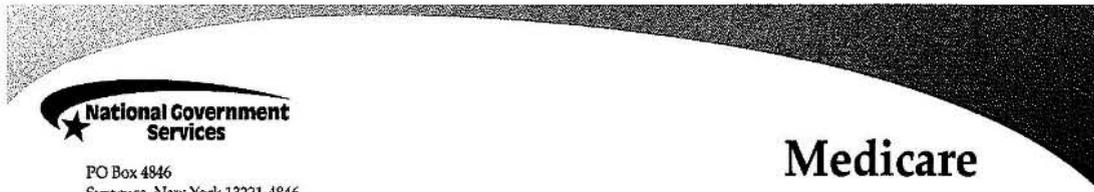
RECOMMENDATION

We recommend that NGS recover the \$146,091 in overpayments made to the hospital.

NATIONAL GOVERNMENT SERVICES COMMENTS

In written comments on our draft report, NGS stated that it complied with our recommendation by recouping the overpayments from the provider. NGS's comments appear in their entirety as the Appendix.

APPENDIX



June 15, 2009

Mr. Peter J. Barbera
Office of Audit Services
61 Forsyth Street, S.W., Suite 3T41
Atlanta, GA 30303

Re: NGS Response to OIG Audit A-04-09-06100 "Review of Outpatient Payments for Oxaliplatin in Kentucky."

Dear Mr. Barbera:

This letter is in response to the draft report dated May 18, 2009, entitled "Review of Outpatient Payments for Oxaliplatin in Kentucky".

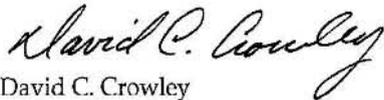
Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. During the audit period, (calendar year (CY) 2005), Medicare required hospital outpatient departments to bill one service unit for every 5 milligrams of Oxaliplatin administered. National Government Services was the fiscal intermediary for Kentucky during this period of review.

During this period, a total of six payments were reviewed totaling \$175,949 which was made to one hospital in Kentucky. Each of these payments amounted to less than \$50,000 for more than 100 units of Oxaliplatin. According to your findings, for all six payments reviewed, the hospital used an incorrect HCPCS code with significantly higher payment rates than the correct HCPCS code. As a result, the hospital received overpayments totaling \$146,091 during CY 2005. The hospital attributed the use of an incorrect HCPCS to human error.

Your recommendation is that NGS recover the \$146,091 in overpayments made to the hospital. NGS has complied with your request and as of 3/19/09 has recouped a total of \$146,091 from this provider.

You may submit any additional questions and/or concerns to the NGS Medicare mailbox; ngs.medicare@anthem.com.

Sincerely,



David C. Crowley
Staff Vice President
Claims Management

cc: Pam Glenn, Part A/RHHI Claims Director
Sandra Logan, Claims Manager