



Office of Audit Services, Region IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, GA 30303

October 15, 2009

Report Number: A-04-09-06102

Mr. E. Jamie Bylotas
Director, Quality and Performance Management
Highmark Medicare Services
1800 Center Street, Ste 1AL3
Camp Hill, Pennsylvania 17089

Dear Mr. Bylotas:

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 Pennsylvania." 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.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted 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-04-09-06102 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
PENNSYLVANIA**



Daniel R. Levinson
Inspector General

October 2009
A-04-09-06102

Office of Inspector General

<http://oig.hhs.gov>

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

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 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. Before July 2003, Medicare required billing one service unit for every 0.5 milligrams administered.

During CY 2005, Highmark Medicare Services (Highmark) was the fiscal intermediary for Pennsylvania. We reviewed one payment totaling \$26,533 that Highmark made to one hospital in Pennsylvania. This payment amounted to less than \$50,000 for 100 units or more of oxaliplatin.

OBJECTIVE

Our objective was to determine, for selected payments, whether the hospital billed Highmark for the correct number of service units of oxaliplatin.

SUMMARY OF FINDING

For the one payment reviewed, the hospital billed Highmark for the incorrect number of service units of oxaliplatin. As a result, the hospital received an overpayment totaling \$22,283 during CY 2005. This overpayment occurred because the hospital did not follow its own procedures to ensure the proper billing of oxaliplatin.

RECOMMENDATION

We recommend that Highmark recover the \$22,283 overpayment made to the hospital.

HIGHMARK MEDICARE SERVICES COMMENTS

In written comments on our draft report, Highmark Medicare Services stated that it concurred with our recommendation and would recover the identified overpayments. Highmark'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 one service unit for every 5 milligrams of oxaliplatin administered.

Highmark Medicare Services

During CY 2005, Highmark Medicare Services (Highmark) was the fiscal intermediary for Pennsylvania. During that period, the fiscal intermediary made a total of 1,153 payments to hospitals in Pennsylvania 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, for selected payments, whether the hospital billed Highmark for the correct number of service units of oxaliplatin.

Scope

We identified 12 payments totaling \$85,040 that Highmark made to six hospitals in Pennsylvania for oxaliplatin during CY 2005. Each of these payments amounted to less than \$50,000.² Prior to the start of our audit, the hospitals adjusted 11 of these payments and refunded the associated overpayments. We reviewed the remaining payment totaling \$26,533.

We did not review Highmark's internal controls applicable to the reviewed payment 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 August 2009. Our fieldwork included contacting Highmark, located in Camp Hill, Pennsylvania, and the six hospitals that received the 12 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 less than \$50,000 and a utilization level of 100 units or more of oxaliplatin;
- selected for review one outpatient claim paid by Highmark to a hospital in Pennsylvania with a paid amount of less than \$50,000 and a utilization level of 100 units or more of oxaliplatin;³
- contacted the hospital that received the one payment to determine whether the service units were billed correctly and, if not, why the service units were billed incorrectly; and
- confirmed with Highmark that overpayments occurred and refunds were appropriate.

²We limited our review to payments of less than \$50,000 to avoid duplicating work done in other audits covering payments of \$50,000 or more.

³For materiality purposes, we excluded payments for claims with fewer than 100 units of oxaliplatin.

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 the one payment reviewed, the hospital billed Highmark for the incorrect number of service units of oxaliplatin. As a result, the hospital received an overpayment totaling \$22,283 during CY 2005. This overpayment occurred because the hospital did not follow its own procedures to ensure the proper billing of oxaliplatin.

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."

For outpatient services furnished before July 1, 2003, CMS instructed hospitals to bill for oxaliplatin using HCPCS code J3490. The service unit for that code was 0.5 milligrams.

Through CMS Transmittal A-03-051, Change Request 2771, dated June 13, 2003, CMS instructed hospital outpatient departments to bill for oxaliplatin using HCPCS code C9205 for services furnished on or after July 1, 2003.⁴ The description for HCPCS code C9205 was "Injection, oxaliplatin, per 5 mg." Therefore, for every 5 milligrams of oxaliplatin administered to a patient, hospital outpatient departments should have billed Medicare for one service unit during our audit period.⁵

INCORRECT NUMBER OF SERVICE UNITS BILLED

During CY 2005, the hospital billed Highmark for the incorrect number of service units on the one claim reviewed and, as a result, received an overpayment totaling \$22,283. Rather than billing one service unit for every 5 milligrams of oxaliplatin administered, as Medicare required, the hospital billed one service unit for every 0.5 milligrams administered.

⁴Although the American Medical Association's 2004 HCPCS code book showed that code C9205 had been deleted as of 2004, CMS notified hospitals to continue using HCPCS code C9205 for oxaliplatin services furnished in 2004 and 2005 (68 Fed. Reg. 63398, 63488 (Nov. 7, 2003); 69 Fed. Reg. 65682, 66104 (Nov. 15, 2004)).

⁵CMS instructed hospitals to bill for oxaliplatin using HCPCS code J9263 for services furnished on or after January 1, 2006 (70 Fed. Reg. 68516, 68632 (Nov. 10, 2005); CMS Transmittal 786, Change Request 4250 (Dec. 16, 2005)). The service unit for that code is 0.5 milligram.

This overpayment occurred because the hospital did not follow its own procedures to ensure the proper billing of oxaliplatin.

RECOMMENDATION

We recommend that Highmark recover the \$22,283 overpayment made to the hospital.

HIGHMARK MEDICARE SERVICES COMMENTS

In written comments on our draft report, Highmark Medicare Services stated that it concurred with our recommendation and would recover the identified overpayments. Highmark's comments appear in their entirety as the Appendix.

APPENDIX

APPENDIX: HIGHMARK MEDICARE SERVICES COMMENTS



22 September 2009

Mr. Peter Barbera
Regional Inspector General for Audit Services
Office of Audit Services, Region IV
61 Forsyth Street, S.W., Ste. 3T41
Atlanta, Georgia 30303

OIG Draft Report Number: A-04-09-06102, dated September 8, 2009

The following is Highmark Medicare Services (HMS) Management response to your request for comments on the draft report entitled, "Review of Medicare Outpatient Payments for Oxaliplatin in Pennsylvania."

Recommendation – Recover the \$22,283 in overpayments to the hospitals.

HMS Response: HMS concurs with this recommendation and upon receipt of the claim detail information; HMS will recover the identified overpayments.

Please do not hesitate to contact me at (717) 302-4410 if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "E. James Bylotas".

E. James Bylotas
Director, Quality and Performance Management