



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

August 18, 2009

Report Number: A-05-09-00066

Mr. Nate Meyer
Chief Financial Officer
Douglas County Hospital, Business Office
111 17th Avenue East
Alexandria, Minnesota 56308

Dear Mr. Meyer:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Oxaliplatin Billing at Douglas County 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 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 Jaime Saucedo, Audit Manager, at (312) 353-8693 or through email at Jaime.Saucedo@oig.hhs.gov. Please refer to report number A-05-09-00066 in all correspondence.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marc Gustafson".

Marc Gustafson
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. 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
OXALIPLATIN BILLING AT
DOUGLAS COUNTY HOSPITAL
FOR CALENDAR YEARS
2004 AND 2005**



Daniel R. Levinson
Inspector General

August 2009
A-05-09-00066

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:

Office of Audit Services

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.

Office of Evaluation and Inspections

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.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

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 (CMS) administers the program. CMS contracts with fiscal intermediaries to, among other things, 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 years (CY) 2004 and 2005), Medicare required hospital outpatient departments to bill one service unit for each 5 milligrams of oxaliplatin administered by using Healthcare Common Procedure Coding System (HCPCS) code C9205. Effective January 1, 2006, CMS instructed hospitals to bill Medicare for oxaliplatin using HCPCS code J9263. The service unit for HCPCS code J9263 is 0.5 milligrams.

Douglas County Hospital (the hospital) is an acute-care hospital located in Alexandria, Minnesota. During our audit period, Noridian Administrative Services (Noridian) was the fiscal intermediary for Minnesota. We reviewed Noridian's payments to the hospital for oxaliplatin during calendar years CYs 2004 and 2005.

OBJECTIVE

Our objective was to determine whether the hospital billed Noridian for the correct number of service units for oxaliplatin.

SUMMARY OF FINDING

The hospital did not bill Noridian for the correct number of service units for two oxaliplatin outpatient claims. As a result, the hospital received overpayments totaling \$53,641. The hospital overstated the number of service units on the claims because it prematurely updated its billing system in November 2005 to reflect the CMS instructions to use HCPCS code J9263, effective January 1, 2006, when billing for oxaliplatin.

RECOMMENDATION

We recommend that the hospital refund the identified overpayments totaling \$53,641 to Noridian.

AUDITEE COMMENTS

In written comments on our draft report, the hospital said that it agreed with our recommendation and had refunded the \$53,641. The hospital's comments are included in their entirety as the Appendix.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Outpatient Prospective Payment System	1
Oxaliplatin.....	1
Douglas County Hospital.....	1
OBJECTIVE, SCOPE, AND METHODOLOGY	1
Objective	1
Scope.....	2
Methodology	2
FINDING AND RECOMMENDATION	2
MEDICARE REQUIREMENTS	3
INCORRECT NUMBER OF SERVICE UNITS BILLED	3
RECOMMENDATION	3
AUDITEE COMMENTS	4
APPENDIX	
AUDITEE COMMENTS	

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. CMS contracts with fiscal intermediaries to, among other things, process and pay Medicare Part B claims submitted by hospital outpatient departments.

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. § 13951, 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 years (CY) 2004 and 2005), Medicare required hospital outpatient departments to bill one service unit for each 5 milligrams of oxaliplatin administered by using HCPCS code C9205. Effective January 1, 2006, CMS instructed hospitals to bill Medicare for oxaliplatin using HCPCS code J9263. The service unit for HCPCS code J9263 is 0.5 milligrams.

Douglas County Hospital

Douglas County Hospital (the hospital) is an acute-care hospital located in Alexandria, Minnesota. During our audit period, the hospital submitted claims for oxaliplatin to Noridian Administrative Services (Noridian), the fiscal intermediary for Minnesota.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the hospital billed Noridian for the correct number of service units for oxaliplatin.

Scope

We reviewed two payments totaling \$63,922 for which the hospital billed Noridian for more than 100 units of oxaliplatin during CYs 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 CMS's National Claims History file for CYs 2004 and 2005, but we did not assess the completeness of the file.

We conducted fieldwork from March through May 2009. Our fieldwork included contacting the hospital in Alexandria, Minnesota and Noridian in Fargo, North Dakota.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- used CMS's National Claims History file to identify Medicare claims for which the hospital billed at least 100 units of oxaliplatin under HCPCS code C9205 and received Medicare payments;
- contacted the hospital to determine whether the identified oxaliplatin services were billed correctly and, if not, why the services were billed incorrectly; and
- confirmed with Noridian 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 finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATION

The hospital did not bill Noridian for the correct number of service units for two oxaliplatin outpatient claims. As a result, the hospital received overpayments totaling \$53,641. The hospital overstated the number of service units on the claims because it prematurely updated its billing system in November 2005 to reflect the CMS instructions to use HCPCS code J9263, effective January 1, 2006, when billing for 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, 2003.¹ The description for HCPCS code C9205 is "injection, oxaliplatin, per 5 [milligrams]." Therefore, for each 5 milligrams of oxaliplatin administered to a patient, hospital outpatient departments should have billed Medicare for one service unit during our audit period.

Effective January 1, 2006, CMS instructed hospitals to bill Medicare for oxaliplatin using HCPCS code J9263. The service unit for that code is 0.5 milligrams.

INCORRECT NUMBER OF SERVICE UNITS BILLED

The hospital did not bill Noridian for the correct number of service units for two oxaliplatin outpatient claims. Rather than billing one service unit for each 5 milligrams of oxaliplatin administered, as Medicare required, the hospital billed one service unit for each 0.5 milligrams administered. For the two claims, the hospital received overpayments totaling \$53,641.

The hospital overstated the number of service units on the claims because it prematurely updated its billing system in November 2005 to reflect the CMS instructions to use HCPCS code J9263, effective January 1, 2006, when billing for oxaliplatin.

RECOMMENDATION

We recommend that the hospital refund the identified overpayments totaling \$53,641 to Noridian.

¹Although 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 that code for oxaliplatin for services furnished in 2004 and 2005 (68 Fed. Reg. 63398, 63488 (Nov. 7, 2003); 69 Fed. Reg. 65682, 66104 (Nov. 15, 2004)).

AUDITEE COMMENTS

In written comments on our draft report, the hospital said that it agreed with our recommendation and had refunded the \$53,641. The hospital's comments are included in their entirety as the Appendix.

APPENDIX



Douglas County Hospital

111 - 17th Avenue East, Alexandria, MN 56308 ● (320) 762-1511 ● TDD (320) 762-6100 ● Fax (320) 762-6120

August 5, 2009

U. S. Department of Health and Human Services
Office of Inspector General
Office of Audit Services
1124 Rickard Rd., Suite C
Springfield, Illinois 62704

RE: Douglas County Hospital

Douglas County Hospital received the report on the Review of Oxaliplatin Billing at Douglas County Hospital for Calendar Years 2004 and 2005. We agree with your recommendation that hospital refund the identified overpayments of \$53,641. This amount has already been withheld from our payments and

Sincerely,

A handwritten signature in black ink, appearing to read 'Nate Meyer'.

Nate Meyer, CFO
Douglas County Hospital

Office of Inspector General Note—The deleted text has been redacted because it is personally identifiable information.