

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

Medicare Part B covers immunosuppressive drugs for beneficiaries who receive an organ transplant for which Medicare payment has been made. A record of fee-for-service (FFS) transplant claims should be retained in the beneficiary's claims history. For circumstances when Medicare cannot locate an FFS claim in a beneficiary's history, a pharmacy can submit an immunosuppressive drug claim with a KX modifier to indicate that it has records showing the beneficiary is eligible for Medicare coverage. In Federal fiscal year 2014, Part B paid almost \$353 million for immunosuppressive drugs, and nearly 100 percent of the claims were submitted with the KX modifier.

Our objective was to determine whether Part B should have paid for immunosuppressive drugs billed with a KX modifier for beneficiaries for whom Medicare did not have a transplant record.

How OIG Did This Review

We reviewed immunosuppressive drug claims billed with the KX modifier for beneficiaries for whom Medicare did not have a transplant record. Our target frame consisted of 126,551 paid claims, totaling \$35 million of which we reviewed a random sample of 75 claims. We contacted the pharmacies and requested copies of documentation.

CMS and Its Claims Processing Contractors Issued Conflicting Guidance on the Proper Use of the KX Modifier for Part B Immunosuppressive Drug Claims

What OIG Found

Part B paid for some immunosuppressive drugs billed with the KX modifier that were not eligible for Part B payment. Of the 75 claims in our random sample, pharmacies had documentation to support the KX modifier for 65 claims but did not have support for the remaining 10.

The Centers for Medicare & Medicaid Services' (CMS) intention for the KX modifier was to signify an attestation by the pharmacy that it had documentation proving that a beneficiary's organ transplant occurred when the beneficiary was eligible for Medicare coverage. However, guidance in the *Medicare Claims Processing Manual* (the Manual) is not clearly written and additional guidance issued by claims processing contractors conflicted with the guidelines in the Manual by indicating that claims without the KX modifier would be denied.

Pharmacies improperly received \$3,973 in Part B reimbursement for the immunosuppressive drugs on the 10 claims. On the basis of our sample results, we estimated that Part B paid \$4.6 million in reimbursement for immunosuppressive drugs billed with the KX modifier that did not comply with Medicare requirements.

What OIG Recommends and CMS Comments

We recommend that CMS (1) clarify language in the Manual to be consistent with its intent, as described above, and (2) instruct the claims processing contractors to process immunosuppressive drug claims without the KX modifier and educate pharmacies on the correct use of the modifier.

CMS concurred with our recommendations and provided separate technical comments on our report. We incorporated the technical comments where appropriate.