



MAY 06 2009

Region IX
Office of Audit Services
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

Report Number: A-09-09-00060

Ms. Maureen Shaw
Regional Privacy Officer and Compliance Manager
Providence Saint Joseph Medical Center
501 South Buena Vista Avenue
Burbank, California 91505

Dear Ms. Shaw:

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 Providence Saint Joseph Medical Center for Calendar Year 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 call Tom Lin, Senior Auditor, at (415) 437-8374 or Alice Norwood, Audit Manager, at (415) 437-8360. Please refer to report number A-09-09-00060 in all correspondence.

Sincerely,

Lori A. Ahlstrand
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Nanette Foster Reilly, Consortium Administrator
Consortium for Financial Management & Fee for Service Operations (CFMFFSO)
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
PROVIDENCE SAINT JOSEPH
MEDICAL CENTER
FOR CALENDAR YEAR 2005**



Daniel R. Levinson
Inspector General

May 2009
A-09-09-00060

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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Notices

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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. Medicare uses an outpatient prospective payment system to pay for hospital outpatient services.

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. From July 1, 2003, through December 31, 2005, Medicare required hospital outpatient departments to bill one service unit for each 5 milligrams of oxaliplatin administered.

Providence Saint Joseph Medical Center (Providence Saint Joseph) is a hospital located in Burbank, California. We reviewed payments to Providence Saint Joseph for oxaliplatin provided to Medicare beneficiaries during calendar year (CY) 2005.

OBJECTIVE

Our objective was to determine whether Providence Saint Joseph billed Medicare for oxaliplatin in accordance with Medicare requirements.

SUMMARY OF FINDING

During CY 2005, Providence Saint Joseph did not bill Medicare in accordance with Medicare requirements for the one oxaliplatin outpatient claim that we reviewed. Providence Saint Joseph billed Medicare for an incorrect number of service units for that claim and received an overpayment of approximately \$13,055. The overpayment occurred because the hospital did not apply the service unit conversion correctly.

RECOMMENDATIONS

We recommend that Providence Saint Joseph:

- work with the fiscal intermediary to adjust the claim and refund approximately \$13,055 for the identified overpayment and
- ensure that service units of drugs billed correspond to units of drugs administered.

PROVIDENCE SAINT JOSEPH COMMENTS

In its comments on our draft report, Providence Saint Joseph stated that it will work with the fiscal intermediary to refund the overpayment. In addition, Providence Saint Joseph stated that it had established procedures to ensure that service units of drugs billed correspond to units of drugs administered. Providence Saint Joseph's comments are included 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.

Outpatient Prospective Payment System

Pursuant to the Balanced Budget Act of 1997, P.L. No. 105-33, 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. From July 1, 2003, through December 31, 2005, Medicare required hospital outpatient departments to bill one service unit for each 5 milligrams of oxaliplatin administered.

Providence Saint Joseph Medical Center

Providence Saint Joseph Medical Center (Providence Saint Joseph) is a hospital located in Burbank, California. Providence Saint Joseph's Medicare claims are processed and paid by Noridian Administrative Services, the fiscal intermediary.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Providence Saint Joseph billed Medicare for oxaliplatin in accordance with Medicare requirements.

Scope

We identified and reviewed one claim for which Providence Saint Joseph billed HCPCS code C9205 for more than 100 service units of oxaliplatin and received a Medicare payment of \$15,649 for oxaliplatin furnished to a hospital outpatient during calendar year (CY) 2005.

We limited our review of Providence Saint Joseph'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 CY 2005, but we did not assess the completeness of the file.

We performed our audit from December 2008 through February 2009.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- used CMS's National Claims History file for CY 2005 to identify Medicare claims for which Providence Saint Joseph billed at least 100 service units of oxaliplatin under HCPCS code C9205 and received Medicare payments for those units;
- contacted Providence Saint Joseph to determine whether the identified oxaliplatin services were billed correctly and, if not, why the services were billed incorrectly;
- obtained and reviewed records from Providence Saint Joseph that supported the identified claim; and
- repriced incorrectly billed service units using ambulatory payment classification groups payment information for the billed HCPCS codes.

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

During CY 2005, Providence Saint Joseph did not bill Medicare in accordance with Medicare requirements for the one oxaliplatin outpatient claim that we reviewed. Providence Saint Joseph billed Medicare for an incorrect number of service units for that claim and received an overpayment of approximately \$13,055. The overpayment occurred because the hospital did not apply the service unit conversion correctly.

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.”

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 effective July 1, 2003. The description for HCPCS code C9205 is “injection, oxaliplatin, per 5 [milligrams].” Therefore, for each 5 milligrams of oxaliplatin administered to a patient, outpatient hospitals 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

During CY 2005, Providence Saint Joseph billed Medicare for an incorrect number of service units for the one oxaliplatin claim that we reviewed. Providence Saint Joseph billed 200 service units for 200 milligrams of oxaliplatin administered instead of the appropriate 40 service units. Medicare required billing one service unit for each 5 milligrams of oxaliplatin administered. For the one claim, Providence Saint Joseph received an overpayment of approximately \$13,055.

The overpayment occurred because the hospital did not apply the service unit conversion correctly.

RECOMMENDATIONS

We recommend that Providence Saint Joseph:

- work with the fiscal intermediary to adjust the claim and refund approximately \$13,055 for the identified overpayment and
- ensure that service units of drugs billed correspond to units of drugs administered.

PROVIDENCE SAINT JOSEPH COMMENTS

In its comments on our draft report, Providence Saint Joseph stated that it will work with the fiscal intermediary to refund the overpayment. In addition, Providence Saint Joseph stated that it had established procedures to ensure that service units of drugs billed correspond to units of drugs administered. Providence Saint Joseph’s comments are included in their entirety as the Appendix.

APPENDIX

501 S. Laguna Vista Street
Fremont, CA 94538
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April 20, 2009

Lori A. Ahlstrand
Office of Inspector General, Office of Audit Services
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

Re: Report Number- A-09-09-00060

Dear Ms. Ahlstrand:

In response to your draft audit report titled "Review of Oxaliplatin Billing at Providence Saint Joseph Medical Center for Calendar Year 2005," dated March 19, 2009, the recommendations have been reviewed. We have provided a written response regarding our stand on each recommendation below.

Recommendation #1: Work with the fiscal intermediary to adjust the claim and refund approximately \$13,055 in identified overpayment.

- **Response to Recommendation #1:** We concur with the approach to work with the appropriate fiscal intermediary for the time period, Noridian, to recoup the overpayment. The payment will either be retracted by Noridian or we will receive instructions as to how to refund the overpayment.

Recommendation #2: Ensure that service units of drugs billed correspond to units of drugs administered.

- **Response to Recommendation #2:** We concur with this recommendation and have already established procedures for;

1. Reviewing the charge master which includes:
 - a. Changes to a charge master item code for HCPCS coding, narrative descriptions, pricing and other changes
 - b. charge additions (new codes)
 - c. charge in-activations

Review of the charge master is now the responsibility of the charge master coordinator and a team of registered nurses with several years experience in working with charge

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masters. This team reviews all changes, additions and in-activations before the bills are processed. The team members receive all government program announcements and subscribe to other services to help improve the accuracy of the charge master.

2. We contract with an outside vendor for a review of our charge master to help assure that the coding and descriptions are correct and updated timely.
3. We have a team of registered nurse auditors who audit outpatient Medicare claims with retail charges over \$75,000. This audit is conducted, and any changes are posted, before the initial billing is submitted to Medicare. As drugs are expensive items in our charge master, this audit selection point captures expensive drugs with large quantities.
4. A policy by which pharmacy charges posted are reconciled daily.

Should you have any further questions or need additional information regarding the responses, please contact me as needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Arnold Krauss".

Arnold Krauss, CIA, CHC
Regional Compliance Officer
Providence Saint Joseph Medical Center

cc: Clyde Evans