



November 13, 2009

Report Number: A-09-09-00084

Mr. Jeffrey Veilleux
Executive Vice President/Chief Financial Officer
Swedish Medical Center – First Hill
747 Broadway
Seattle, Washington 98122

Dear Mr. Veilleux:

Enclosed is the U.S. Department of Health and Human Services, Office of Inspector General (OIG), final report entitled “Review of Oxaliplatin Billing at Swedish Medical Center – First Hill 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.

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, the final report will be posted 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-09-09-00084 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
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 SWEDISH
MEDICAL CENTER – FIRST HILL
FOR CALENDAR YEARS
2004 AND 2005**



Daniel R. Levinson
Inspector General

November 2009
A-09-09-00084

Office of Inspector General

<http://oig.hhs.gov>

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THIS REPORT IS AVAILABLE TO THE PUBLIC

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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 aged 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.

Swedish Medical Center – First Hill (First Hill) is a hospital located in Seattle, Washington. We reviewed payments to First Hill for oxaliplatin provided to Medicare beneficiaries during calendar years (CY) 2004 and 2005.

OBJECTIVE

Our objective was to determine whether First Hill billed Medicare for oxaliplatin in accordance with Medicare requirements.

SUMMARY OF FINDING

During CYs 2004 and 2005, First Hill did not bill Medicare in accordance with Medicare requirements for the 12 oxaliplatin outpatient claims that we reviewed. First Hill billed Medicare for an incorrect number of service units for those claims and received overpayments totaling \$310,817. The overpayments occurred because the hospital did not have controls in place to ensure the proper billing of oxaliplatin.

RECOMMENDATIONS

We recommend that First Hill:

- refund to the fiscal intermediary \$310,817 in identified overpayments and
- ensure that service units of drugs billed correspond to units of drugs administered.

FIRST HILL COMMENTS

In its comments on our draft report, First Hill agreed with our recommendations. First Hill stated that it had provided amended claims and that all overpayments had been refunded to the fiscal intermediary. In addition, First Hill stated that it had improved its systems to either prevent errors or detect and correct them more immediately. First Hill'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 aged 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.

Swedish Medical Center – First Hill

Swedish Medical Center – First Hill (First Hill) is a hospital located in Seattle, Washington. First Hill's Medicare claims for oxaliplatin are processed and paid by Wisconsin Physicians Service Insurance Corporation, the fiscal intermediary.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether First Hill billed Medicare for oxaliplatin in accordance with Medicare requirements.

Scope

We identified 13 claims for which First Hill billed HCPCS code C9205 for more than 100 service units of oxaliplatin and received Medicare payments totaling \$369,658 for oxaliplatin furnished to hospital outpatients during calendar years (CY) 2004 and 2005. Before the start of our audit, First Hill corrected one of the claims. We reviewed the remaining 12 claims with Medicare payments totaling \$339,557.

We limited our review of First Hill'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 performed our audit from December 2008 to September 2009.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- used CMS's National Claims History file for CYs 2004 and 2005 to identify Medicare claims for which First Hill billed at least 100 service units of oxaliplatin under HCPCS code C9205 and received Medicare payments for those units;
- contacted First Hill to determine whether the identified oxaliplatin services were billed correctly and, if not, why the services were billed incorrectly;
- obtained and reviewed records from First Hill that supported the identified claims; and
- calculated overpayments using corrected payment information processed by Wisconsin Physicians Service Insurance Corporation.

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 CYs 2004 and 2005, First Hill did not bill Medicare in accordance with Medicare requirements for the 12 oxaliplatin outpatient claims that we reviewed. First Hill billed Medicare for an incorrect number of service units for those claims and received overpayments totaling \$310,817. The overpayments occurred because the hospital did not have controls in place 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.”

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 CYs 2004 and 2005, First Hill billed Medicare for an incorrect number of service units for the 12 oxaliplatin outpatient claims that we reviewed. Rather than billing one service unit for each 5 milligrams of oxaliplatin administered, as Medicare required, First Hill billed one service unit for each 0.5 milligrams administered. For the 12 claims, First Hill received overpayments totaling \$310,817.¹

The overpayments occurred because the hospital did not have controls in place to ensure the proper billing of oxaliplatin.

RECOMMENDATIONS

We recommend that First Hill:

- refund to the fiscal intermediary \$310,817 in identified overpayments and
- ensure that service units of drugs billed correspond to units of drugs administered.

FIRST HILL COMMENTS

In its comments on our draft report, First Hill agreed with our recommendations. First Hill stated that it had provided amended claims and that all overpayments had been refunded to the fiscal intermediary. In addition, First Hill stated that it had improved its systems to either prevent errors or detect and correct them more immediately. First Hill’s comments are included in their entirety as the Appendix.

¹For one of the selected claims, First Hill also billed 10 service units for 170 milligrams of oxaliplatin administered instead of the appropriate 34 service units. The result of this error was included in determining the total overpayment of \$310,817.

APPENDIX

APPENDIX: SWEDISH MEDICAL CENTER – FIRST HILL COMMENTS

October 16, 2009

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

Re: Report Number: A-09-09-00084

Dear Ms. Ahlstrand:

This letter is in response to the Office of Inspector General (“OIG”) draft report, “Review of Oxaliplatin Billing at Swedish Medical Center – First Hill for Calendar Years 2004 and 2005,” provided to Swedish Medical Center (“Swedish”) on October 9, 2009 (“Report”). We appreciate both the review by the OIG and the opportunity to respond. Swedish agrees with the Report’s recommendations.

The review identified errors made on certain claims from the 2004-2005 time period. Prior to December 31, 2005, there were two codes used in the industry to bill for the oxaliplatin drug – one where the units were to be billed at one unit per 5 milligrams, and one where the units were to be billed at one unit per .5 milligrams.

Swedish’s systems have significantly improved since the errors identified in the report were made. These improvements will either prevent similar errors or detect and correct them more immediately. For example, Swedish has been performing its own audits of cancer drug billings, to identify any anomalies in the recording of units. Swedish has implemented a comprehensive electronic medical record system, with robust controls that will enhance Swedish’s ability to monitor claims at all levels prior to billing. Further, an additional level of review will be provided for all claims with paid amounts in excess of charges.

Swedish had previously provided amended claim forms for each of the claims involved in the review, and understands that all overpayments have been refunded to the fiscal intermediary.

Thank you for providing us with the opportunity to respond. Please feel free to contact me directly if you have any questions or need any additional information.

Sincerely,

/Jeff Veilleux/

Jeffrey Veilleux
Executive Vice President/Chief Financial Officer