



October 6, 2011

Report Number: A-09-11-02033

Mr. Michael Haggerty
Interim Chief Financial Officer
Central Peninsula General Hospital
250 Hospital Place
Soldotna, AK 99669

Dear Mr. Haggerty:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Medicare Outpatient Billing for Selected Drugs at Central Peninsula General Hospital*. 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 contact Iman Zbinden, Senior Auditor, at (619) 557-6131, extension 109, or through email at Iman.Zbinden@oig.hhs.gov, or contact Alice Norwood, Audit Manager, at (415) 437-8360 or through email at Alice.Norwood@oig.hhs.gov. Please refer to report number A-09-11-02033 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, MO 64106

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICARE
OUTPATIENT BILLING FOR
SELECTED DRUGS AT CENTRAL
PENINSULA GENERAL HOSPITAL**



Daniel R. Levinson
Inspector General

October 2011
A-09-11-02033

Office of Inspector General

<http://oig.hhs.gov>

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Notices

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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. The Centers for Medicare & Medicaid Services administers the program.

Medicare guidance requires providers to submit accurate claims for outpatient services. Each submitted Medicare claim contains detail regarding each provided service (called a line item in this report). Providers should use the appropriate Healthcare Common Procedure Coding System (HCPCS) codes and report units of service as the number of times that a service or procedure was performed or, if the HCPCS code is associated with a drug, the number of units administered.

Doxorubicin hydrochloride (HCl) liposome and paclitaxel are injectable drugs used to treat certain types of cancer (e.g., ovarian cancer and AIDS-related Kaposi's sarcoma). Medicare requires providers to bill one service unit for each 10-milligram injection of doxorubicin HCl liposome and one service unit for each 30-milligram injection of paclitaxel.

Central Peninsula General Hospital (Central Peninsula) is a 49-bed, not-for-profit acute-care community hospital located in Soldotna, Alaska. Based on data analysis, we reviewed 25 line items that Central Peninsula billed to Medicare during our audit period (April 1, 2008, through February 28, 2011): 3 line items for doxorubicin HCl liposome injections and 22 line items for paclitaxel injections.

OBJECTIVE

Our objective was to determine whether Central Peninsula billed Medicare for doxorubicin HCl liposome and paclitaxel injections in accordance with Federal requirements.

SUMMARY OF FINDINGS

For the 25 line items reviewed, Central Peninsula did not bill Medicare in accordance with Federal requirements. Specifically, Central Peninsula billed Medicare for the incorrect number of units of service of doxorubicin HCl liposome and paclitaxel administered. As a result, Central Peninsula received overpayments totaling \$98,814. Central Peninsula attributed the incorrect payments to incorrect unit multipliers in its billing system.

RECOMMENDATIONS

We recommend that Central Peninsula:

- refund to the Medicare fiscal intermediary \$98,814 in identified overpayments and

- ensure that the number of service units billed for HCPCS codes corresponds to the number of service units administered.

CENTRAL PENINSULA GENERAL HOSPITAL COMMENTS

In written comments on our draft report, Central Peninsula concurred with our findings and recommendations. Central Peninsula provided information on actions that it had taken or planned to take to address the recommendations. Central Peninsula's comments are included in their entirety as the Appendix.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Medicare Requirements for Outpatient Claims	1
Doxorubicin Hydrochloride Liposome and Paclitaxel	1
Central Peninsula General Hospital	1
OBJECTIVE, SCOPE, AND METHODOLOGY	1
Objective	1
Scope.....	2
Methodology.....	2
FINDINGS AND RECOMMENDATIONS	3
FEDERAL REQUIREMENTS	3
INCORRECT BILLING	3
RECOMMENDATIONS	4
CENTRAL PENINSULA GENERAL HOSPITAL COMMENTS	4
APPENDIX	
CENTRAL PENINSULA GENERAL HOSPITAL COMMENTS	

INTRODUCTION

BACKGROUND

Pursuant to Title XVIII of the Social Security Act (the 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.

Medicare Requirements for Outpatient Claims

Medicare guidance requires providers to submit accurate claims for outpatient services. Each submitted Medicare claim contains detail regarding each provided service (called a line item in this report). Providers should use the appropriate Healthcare Common Procedure Coding System (HCPCS) codes and report units of service as the number of times that a service or procedure was performed or, if the HCPCS code is associated with a drug, the number of units administered.¹

Doxorubicin Hydrochloride Liposome and Paclitaxel

Doxorubicin hydrochloride (HCl) liposome and paclitaxel are injectable drugs used to treat certain types of cancer (e.g., ovarian cancer and AIDS-related Kaposi's sarcoma). Medicare requires providers to bill one service unit for each 10-milligram injection of doxorubicin HCl liposome. The HCPCS code for doxorubicin HCl liposome is J9001. Medicare requires providers to bill one service unit for each 30-milligram injection of paclitaxel. The HCPCS code for paclitaxel is J9265.

Central Peninsula General Hospital

Central Peninsula General Hospital (Central Peninsula) is a 49-bed, not-for-profit acute-care community hospital located in Soldotna, Alaska. Central Peninsula's Medicare claims for doxorubicin HCl liposome and paclitaxel are processed and paid by Noridian Administrative Services, LLC (Noridian), the Medicare Part A fiscal intermediary.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Central Peninsula billed Medicare for doxorubicin HCl liposome and paclitaxel injections in accordance with Federal requirements.

¹ HCPCS codes are used throughout the health care industry to standardize coding for medical procedures, services, products, and supplies.

Scope

We reviewed \$106,342 in Medicare payments to Central Peninsula for 25 line items during our audit period (April 1, 2008, through February 28, 2011) that we judgmentally selected as potentially at risk for billing errors: 3 line items for doxorubicin HCl liposome injections totaling \$71,565 and 22 line items for paclitaxel injections totaling \$34,777. We identified these payments through data analysis.

We did not review Central Peninsula's internal controls applicable to the 25 line items because our objective did not require an understanding of controls over the submission 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 for our audit period, but we did not assess the completeness of the file.

We conducted our audit from April to July 2011. Our fieldwork included contacting Central Peninsula, located in Soldotna, Alaska.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- used CMS's National Claims History file to identify paid Medicare claims for doxorubicin HCl liposome and paclitaxel during our audit period;
- used computer matching, data mining, and analysis techniques to identify line items potentially at risk for noncompliance with Medicare billing requirements;
- identified 25 line items totaling \$106,342 that Medicare paid to Central Peninsula;
- contacted Central Peninsula to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that Central Peninsula furnished to verify whether each selected line item was billed correctly;
- calculated overpayments using corrected payment information processed by Noridian; and
- discussed the results of our review with Central Peninsula.

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.

FINDINGS AND RECOMMENDATIONS

For the 25 line items reviewed, Central Peninsula did not bill Medicare in accordance with Federal requirements. Specifically, Central Peninsula billed Medicare for the incorrect number of units of service of doxorubicin HCl liposome and paclitaxel administered. As a result, Central Peninsula received overpayments totaling \$98,814. Central Peninsula attributed the incorrect payments to incorrect unit multipliers in its billing system.

FEDERAL 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.

Section 1833(e) of the Act states: “No payment shall be made to any provider of services ... unless there has been furnished such information as may be necessary in order to determine the amounts due such provider ... for the period with respect to which the amounts are being paid”

CMS’s *Medicare Claims Processing Manual*, Pub. No. 100-04 (the Manual), chapter 4, section 20.4, states: “The definition of service units ... is the number of times the service or procedure being reported was performed.”

The Manual, chapter 17, section 90.2.A, states: “It is ... of great importance that hospitals billing for [drugs] make certain that the reported units of service of the reported HCPCS code are consistent with the quantity of a drug ... that was used in the care of the patient.” If the provider is billing for a drug, according to chapter 17, section 70, of the Manual, “[w]here HCPCS is required, units are entered in multiples of the units shown in the HCPCS narrative description. For example, if the description for the code is 50 mg, and 200 mg are provided, units are shown as 4” The description for HCPCS code J9001 is “Injection, doxorubicin hydrochloride, all lipid formulations, 10 [milligrams].” The description for HCPCS code J9265 is “Injection, paclitaxel, 30 [milligrams].”

Chapter 1, section 80.3.2.2, of the Manual states: “In order to be processed correctly and promptly, a bill must be completed accurately.”

INCORRECT BILLING

For the 25 line items reviewed, Central Peninsula did not bill Medicare in accordance with Federal requirements:

- For the three line items for doxorubicin HCl liposome injections, Central Peninsula billed Medicare for the incorrect number of units of service. Rather than billing from 5 to 7 service units (the correct range for doxorubicin HCl liposome administered), Central

Peninsula billed from 50 to 66 service units. Consequently, the incorrect billing resulted in overpayments totaling \$65,450.

- For the 22 line items for paclitaxel injections, Central Peninsula billed Medicare for the incorrect number of units of service. Rather than billing from 5 to 11 service units (the correct range for paclitaxel administered), Central Peninsula billed from 115 to 275 service units. Consequently, the incorrect billing resulted in overpayments totaling \$33,364.

In total, Central Peninsula received overpayments of \$98,814. According to Central Peninsula, the overpayments occurred because of incorrect unit multipliers in its billing system.

RECOMMENDATIONS

We recommend that Central Peninsula:

- refund to the Medicare fiscal intermediary \$98,814 in identified overpayments and
- ensure that the number of service units billed for HCPCS codes corresponds to the number of service units administered.

CENTRAL PENINSULA GENERAL HOSPITAL COMMENTS

In written comments on our draft report, Central Peninsula concurred with our findings and recommendations. Central Peninsula provided information on actions that it had taken or planned to take to address the recommendations. Central Peninsula's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: CENTRAL PENINSULA GENERAL HOSPITAL COMMENTS



August 26, 2011

Ms. Lori A. Ahlstrand
Office of Audit Services, Region IX
90-7th Street, Suite 3-650
San Francisco, CA 94103

RE: A-09-11-02033

Dear Ms. Ahlstrand,

On August 25, 2011, we received your correspondence, including the draft report entitled *Review of Medicare Outpatient Billing for Selected Drugs at Central Peninsula General Hospital for the Period April 1, 2008, Through February 28, 2011*.

Central Peninsula General Hospital has reviewed the draft document and concurs with the findings and recommendation made therein. The incorrect payments, totaling \$98,814.14, have been refunded in full, as of June 2, 2011.

As indicated in the draft report, the incorrect payments were attributed to incorrect unit multipliers attached to the charges in our billing system. To prevent any further incorrect payments from Medicare, we have reviewed all J-coded drugs and validated that the multiplier set up in our system will appropriately represent the amount of medicine prescribed and dispensed to our patients.

Additionally, we will perform quarterly audits of all J-coded drugs. If during these audits, or through other notifications, we determine that Medicare was billed incorrectly, we will make the necessary corrections to ensure we submit an appropriate claim to Medicare and receive a correct payment.

If you have any additional questions, please contact me, at 907-714-4719, or June Durnan, at 907-714-4515.

Sincerely,



Jason Paret
Chief Financial Officer

CPH is a
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the Planetree
Alliance.

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