



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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

December 5, 2011

Report Number: A-09-11-02046

Mr. Michael Walsh  
Chief Financial Officer  
Dominican Hospital  
1555 Soquel Drive  
Santa Cruz, CA 95065

Dear Mr. Walsh:

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 Dominican 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 Kimberly Kennedy, Senior Auditor, at (415) 437-8360 or through email at [Kimberly.Kennedy@oig.hhs.gov](mailto:Kimberly.Kennedy@oig.hhs.gov), or contact Alice Norwood, Audit Manager, at (415) 437-8360 or through email at [Alice.Norwood@oig.hhs.gov](mailto:Alice.Norwood@oig.hhs.gov). Please refer to report number A-09-11-02046 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/  
Regional Inspector General  
for Audit Services

Enclosure

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF MEDICARE  
OUTPATIENT BILLING FOR  
SELECTED DRUGS AT  
DOMINICAN HOSPITAL**



Daniel R. Levinson  
Inspector General

December 2011  
A-09-11-02046

# *Office of Inspector General*

<http://oig.hhs.gov>

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## **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.

**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 12<sup>th</sup> Street, Room 235  
Kansas City, MO 64106

## **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.

Dominican Hospital (Dominican) is an acute-care hospital located in Santa Cruz, California. Based on data analysis, we reviewed \$201,357 in Medicare payments to Dominican for 38 line items for injections of selected drugs that Dominican billed to Medicare during our audit period (March 1, 2008, through April 30, 2011). These line items consisted of injections for doxorubicin hydrochloride liposome, rituximab, Octagam, Privigen, Gamunex, and pemetrexed.

### **OBJECTIVE**

Our objective was to determine whether Dominican billed Medicare for injections of selected drugs in accordance with Federal requirements.

### **SUMMARY OF FINDINGS**

For 13 of the 38 line items reviewed, Dominican did not bill Medicare in accordance with Federal requirements. Specifically, for 10 line items, Dominican billed the incorrect HCPCS code, and for 3 line items, Dominican billed the incorrect number of units of service. As a result, Dominican received overpayments totaling \$84,701. Dominican attributed the overpayments to its billing system and human error.

### **RECOMMENDATIONS**

We recommend that Dominican:

- refund to the Medicare administrative contractor \$84,701 in identified overpayments and
- ensure compliance with Medicare billing requirements.

## **DOMINICAN HOSPITAL COMMENTS**

In written comments on our draft report, Dominican provided information on actions taken to refund the identified overpayments and ensure compliance with Medicare billing requirements. Dominican'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 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.<sup>1</sup>

### Selected Drugs

The drugs we reviewed in this audit were doxorubicin hydrochloride (HCl) liposome, rituximab, pemetrexed, Octagam, Privigen, and Gamunex.

#### *Doxorubicin Hydrochloride Liposome*

Doxorubicin HCl liposome is an injectable drug used to treat metastatic 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 this drug is J9001 and is described as "Injection, doxorubicin hydrochloride, all lipid formulations, 10 [milligrams]."

#### *Rituximab*

Rituximab is an injectable drug used to treat non-Hodgkin's lymphoma. Medicare requires providers to bill one service unit for each 100-milligram injection of rituximab. The HCPCS code for this drug is J9310 and is described as "Injection, rituximab, 100 [milligrams]."

#### *Pemetrexed*

Pemetrexed is an injectable drug used to treat malignant mesothelioma and certain types of non-small cell lung cancer. Medicare requires providers to bill one service unit for each 10-milligram injection of pemetrexed. The HCPCS code for this drug is J9305 and is described as "Injection, pemetrexed, 10 [milligrams]."

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

### *Octagam*

Octagam is an injectable drug used to treat primary immune deficiency conditions, such as congenital agammaglobulinemia and Wiskott-Aldrich syndrome. Medicare requires providers to bill one service unit for each 500-milligram injection of Octagam. The HCPCS code for this drug is J1568 and is described as “Injection, immune globulin, (octagam), intravenous, non-lyophilized (e.g. liquid), 500 [milligrams].”

### *Privigen*

Privigen is an injectable drug used to treat primary humoral immune deficiency conditions and is also used to increase platelets (blood clotting cells) in people with idiopathic thrombocytopenic purpura. Medicare requires providers to bill one service unit for each 500-milligram injection of Privigen. The HCPCS code for this drug is J1459 and is described as “Injection, immune globulin (privigen), intravenous, non-lyophilized (e.g. liquid), 500 [milligrams].”

### *Gamunex*

Gamunex is an injectable drug used to treat primary immune deficiency conditions (e.g., chronic inflammatory demyelinating polyneuropathy). Medicare requires providers to bill one service unit for each 500-milligram injection of Gamunex. The HCPCS code for this drug is J1561 and is described as “Injection, immune globulin, (gamunex), intravenous, non-lyophilized (e.g. liquid), 500 [milligrams].”

## **Dominican Hospital**

Dominican Hospital (Dominican) is an acute-care hospital located in Santa Cruz, California. Dominican’s claims are processed and paid by Palmetto GBA, LLC (Palmetto), the Medicare administrative contractor.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether Dominican billed Medicare for injections of selected drugs in accordance with Federal requirements.

### **Scope**

We reviewed \$201,357 in Medicare payments to Dominican for 38 line items that we judgmentally selected as potentially at risk for billing errors during our audit period (March 1, 2008, through April 30, 2011). These line items consisted of:

- 21 line items for doxorubicin HCl liposome totaling \$69,868,
- 2 line items for rituximab totaling \$44,357,

- 10 line items for Octagam totaling \$37,594,
- 3 line items for Privigen totaling \$30,490,
- 1 line item for Gamunex totaling \$10,762, and
- 1 line item for pemetrexed totaling \$8,286.<sup>2</sup>

We identified these payments through data analysis.

We did not review Dominican's internal controls applicable to the 38 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 September 2011. Our fieldwork included contacting Dominican Hospital, located in Santa Cruz, California.

## **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, rituximab, Octagam, Privigen, Gamunex, and pemetrexed 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 38 line items totaling \$201,357 that Medicare paid to Dominican;
- contacted Dominican to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that Dominican furnished to verify whether each selected line item was billed correctly;

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<sup>2</sup> For the 14 line items for Octagam, Privigen, and Gamunex, Dominican billed Medicare in accordance with Federal requirements.

- calculated overpayments using corrected payment information processed by Palmetto; and
- discussed the results of our review with Dominican.

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 13 of the 38 line items reviewed, Dominican did not bill Medicare in accordance with Federal requirements. Specifically, for 10 line items, Dominican billed the incorrect HCPCS code, and for 3 line items, Dominican billed the incorrect number of units of service. As a result, Dominican received overpayments totaling \$84,701. Dominican attributed the overpayments to its billing system and human error.

### **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 ....”

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 10 line items reviewed, Dominican billed Medicare using the HCPCS code for the administration of doxorubicin HCl liposome rather than using the HCPCS code for the administration of doxorubicin HCl, the drug actually administered. The incorrect billing resulted in overpayments totaling \$42,894.

For three line items reviewed, Dominican billed Medicare for the incorrect number of units of service:

- For the two line items for rituximab, Dominican billed the incorrect number of units of service. Rather than billing 7 and 9 service units, Dominican billed 70 and 17 service units, respectively, resulting in overpayments totaling \$37,436.
- For the one line item for pemetrexed, Dominican billed the incorrect number of units of service. Rather than billing 95 service units, Dominican billed 183 service units, resulting in an overpayment of \$4,371.

In total, Dominican received overpayments of \$84,701. Dominican attributed the overpayments to its billing system and human error.

## **RECOMMENDATIONS**

We recommend that Dominican:

- refund to the Medicare administrative contractor \$84,701 in identified overpayments and
- ensure compliance with Medicare billing requirements.

## **DOMINICAN HOSPITAL COMMENTS**

In written comments on our draft report, Dominican provided information on actions taken to refund the identified overpayments and ensure compliance with Medicare billing requirements. Dominican's comments are included in their entirety as the Appendix.

# **APPENDIX**

## APPENDIX: DOMINICAN HOSPITAL COMMENTS



**Dominican Hospital**  
A member of CHW

November 9, 2011

Ms. Lori Ahlstrand  
Office of audit Services, Region IX  
90 - 7<sup>th</sup> Street, Suite 3-650  
San Francisco, CA 94103

RE: report A-09-11-02046

Dear Ms. Ahlstrand,

In response to your draft report we have implemented the following the following:

- We have already refunded to Medicare the identified over payments of \$84,701.
- To ensure compliance with Medicare billing we have assigned an auditor (currently [REDACTED]) to review units and codes to ensure correct and accurate billing.

Sincerely,

Michael Walsh  
Chief Financial Officer  
Dominican Hospital