



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

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

October 6, 2011

Report Number: A-09-11-02051

Mr. Cecil Ricks
Interim Chief Financial Officer
Madison Memorial Hospital
P.O. Box 310
Rexburg, ID 83440

Dear Mr. Ricks:

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 a Selected Drug at Madison Memorial 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-09-11-02051 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
A SELECTED DRUG AT
MADISON MEMORIAL HOSPITAL**



Daniel R. Levinson
Inspector General

October 2011
A-09-11-02051

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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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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Notices

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. 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.

Infliximab is an injectable drug used to treat rheumatoid and psoriatic arthritis, ulcerative colitis, Crohn's disease, and ankylosing spondylitis. Medicare requires providers to bill one service unit for each 10-milligram injection of infliximab.

Madison Memorial Hospital (Madison) is a 69-bed, noncritical access hospital located in Rexburg, Idaho. Based on data analysis, we reviewed three line items for infliximab injections that Madison billed to Medicare during our audit period (April 1, 2008, through February 28, 2011).

OBJECTIVE

Our objective was to determine whether Madison billed Medicare for infliximab injections in accordance with Federal requirements.

SUMMARY OF FINDING

For the three line items reviewed, Madison did not bill Medicare in accordance with Federal requirements. Specifically, Madison billed Medicare for the incorrect number of units of service of infliximab administered. As a result, Madison received overpayments totaling \$31,940. Madison attributed the incorrect payments to an incorrect unit multiplier in its billing system.

RECOMMENDATIONS

We recommend that Madison:

- refund to the Medicare fiscal intermediary \$31,940 in identified overpayments and
- ensure that the number of service units billed for HCPCS codes corresponds to the number of service units administered.

MADISON MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, Madison provided information on actions that it had taken to address the recommendations. Madison'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.¹

Infliximab

Infliximab is an injectable drug used to treat rheumatoid and psoriatic arthritis, ulcerative colitis, Crohn's disease, and ankylosing spondylitis. Medicare requires providers to bill one service unit for each 10-milligram injection of infliximab. The HCPCS code for infliximab is J1745.

Madison Memorial Hospital

Madison Memorial Hospital (Madison) is a 69-bed, noncritical access hospital located in Rexburg, Idaho. Madison's Medicare claims for infliximab 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 Madison billed Medicare for infliximab injections in accordance with Federal requirements.

Scope

We reviewed \$38,622 in Medicare payments to Madison for three line items for infliximab injections during our audit period (April 1, 2008, through February 28, 2011) that we judgmentally selected as potentially at risk for billing errors. We identified these payments through data analysis.

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

We did not review Madison's internal controls applicable to the three 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 Madison, located in Rexburg, Idaho.

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 infliximab 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 three line items totaling \$38,622 that Medicare paid to Madison;
- contacted Madison to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that Madison 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 Madison.

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

For the three line items reviewed, Madison did not bill Medicare in accordance with Federal requirements. Specifically, Madison billed Medicare for the incorrect number of units of service of infliximab administered. As a result, Madison received overpayments totaling \$31,940. Madison attributed the incorrect payments to an incorrect unit multiplier 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 J1745 is “Injection, infliximab, 10 [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 three line items reviewed, Madison did not bill Medicare in accordance with Federal requirements. Specifically, rather than billing from 30 to 60 service units (the correct range for infliximab administered), Madison billed from 150 to 300 service units. The incorrect billing resulted in overpayments totaling \$31,940. According to Madison, the overpayments occurred because of an incorrect unit multiplier in its billing system.

RECOMMENDATIONS

We recommend that Madison:

- refund to the Medicare fiscal intermediary \$31,940 in identified overpayments and
- ensure that the number of service units billed for HCPCS codes corresponds to the number of service units administered.

MADISON MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, Madison provided information on actions that it had taken to address the recommendations. Madison's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: MADISON MEMORIAL HOSPITAL COMMENTS



450 E. Main, PO Box 700 • Rexburg, ID 83440-0310 • (208) 359-6900 • FAX 359-6764

September 16, 2011

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

RE: Report Number: A-09-11-02051

Dear Ms. Ahlstrand:

This letter is in response to the draft report entitled *Review of Medicare Outpatient Billing for a Selected Drug at Madison Memorial Hospital for the Period April 1, 2008, Through February 28, 2011*. Your audit found three accounts that were billed with incorrect units for the drug Infliximab.

OIG Recommendation: The OIG recommends that Madison refund to the Medicare fiscal intermediary \$31,940 in identified overpayments.

Madison's Response: Madison has sent corrected claims to Noridian Administrative Services for the three claims that were audited. All three claims have been reprocessed and the correct payments have been posted.

OIG Recommendation: The OIG recommends that Madison ensure that the number of service units billed for HCPCS codes corresponds to the number of service units administered.

Madison's Response: Madison has made corrections to the multiplier in the billing system and the correct units are now dropping on the claims. The billers have been made aware of the issue and the units are being checked before the claim is sent.

We appreciate the opportunity to comment on this draft report. If you have further questions, please call the Business Office at 208-359-6900.

Sincerely,

A handwritten signature in cursive script that reads 'Cecil Ricks'.

Cecil Ricks
Interim Chief Financial Officer