



December 16, 2011

Report Number: A-09-11-02056

Ms. Sue Andersen
Chief Financial Officer
Marian Medical Center
1400 East Church Street
Santa Maria, CA 93454

Dear Ms. Andersen:

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 Marian Medical Center*. 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, 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-09-11-02056 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
MARIAN MEDICAL CENTER**



Daniel R. Levinson
Inspector General

December 2011
A-09-11-02056

Office of Inspector General

<http://oig.hhs.gov>

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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.

Marian Medical Center (Marian) is an acute-care hospital located in Santa Maria, California. Based on data analysis, we reviewed \$65,927 in Medicare payments to Marian for 11 line items for injections of selected drugs that Marian billed to Medicare during our audit period (March 1, 2008, through April 30, 2011). These line items consisted of injections for baclofen and alteplase recombinant.

OBJECTIVE

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

SUMMARY OF FINDING

For 9 of the 11 line items reviewed, Marian did not bill Medicare in accordance with Federal requirements. Specifically, Marian billed the incorrect number of units of service. As a result, Marian received overpayments totaling \$54,461. Marian attributed the overpayments to a billing system error.

RECOMMENDATIONS

We recommend that Marian:

- refund to the Medicare administrative contractor \$54,461 in identified overpayments and
- ensure compliance with Medicare billing requirements.

MARIAN MEDICAL CENTER COMMENTS

In written comments on our draft report, Marian provided information on actions taken to refund the identified overpayments and ensure compliance with Medicare billing requirements. Marian'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

Selected Drugs

The drugs we reviewed in this audit were baclofen and alteplase recombinant.

Baclofen

Baclofen is an injectable drug used both as a muscle relaxer and to treat muscle symptoms caused by multiple sclerosis, including spasm, pain, and stiffness. Medicare requires providers to bill one service unit for each 10-milligram injection of baclofen. The HCPCS code for this drug is J0475 and is described as “Injection, baclofen, 10 [milligrams].”

Alteplase Recombinant

Alteplase recombinant is an injectable drug used to dissolve blood clots that have formed in the blood vessels and is used immediately after symptoms of a heart attack or stroke and to treat blood clots in the lungs. Medicare requires providers to bill one service unit for each 1-milligram injection of alteplase recombinant. The HCPCS code for this drug is J2997 and is described as “Injection, alteplase recombinant, 1 [milligram].”

Marian Medical Center

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

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

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We reviewed \$65,927 in Medicare payments to Marian for 11 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:

- nine line items for baclofen totaling \$59,983 and
- two line items for alteplase recombinant totaling \$5,944.²

We identified these payments through data analysis.

We did not review Marian's internal controls applicable to the 11 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 October 2011. Our fieldwork included contacting Marian, located in Santa Maria, 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 baclofen and alteplase recombinant 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 11 line items totaling \$65,927 that Medicare paid to Marian;
- contacted Marian to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;

² For the two line items for alteplase recombinant, Marian billed Medicare in accordance with Federal requirements.

- reviewed documentation that Marian furnished to verify whether each selected line item was billed correctly;
- calculated overpayments using corrected payment information processed by Palmetto; and
- discussed the results of our review with Marian.

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 9 of the 11 line items reviewed, Marian did not bill Medicare in accordance with Federal requirements. Specifically, Marian billed the incorrect number of units of service. As a result, Marian received overpayments totaling \$54,461. Marian attributed the overpayments to a billing system 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 the nine line items for baclofen, Marian billed Medicare for the incorrect number of units of service. Rather than billing 4 service units, Marian billed 40 service units, resulting in overpayments totaling \$54,461. Marian attributed the overpayments to a billing system error.

RECOMMENDATIONS

We recommend that Marian:

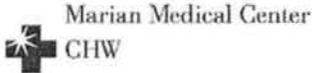
- refund to the Medicare administrative contractor \$54,461 in identified overpayments and
- ensure compliance with Medicare billing requirements.

MARIAN MEDICAL CENTER COMMENTS

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

APPENDIX

APPENDIX: MARIAN MEDICAL CENTER COMMENTS



November 28, 2011

HHS/OIG/OAS
90 7th Street
Suite 3-650
San Francisco, CA 94103

Dear Lori A. Ahlstrand,

Please see below for requested explanation on each recommendation from the OIG Report dated November 17, 2011, Report Number A-09-11-02056.

- It was recommended that we refund to the Medicare administrative contractor \$54,461 in identified overpayments.
 - **Completed. All funds were taken back by Palmetto.**

- It was recommended that Marian ensure compliance with Medicare billing requirements.
 - **Our billing system had an incorrect multiplier for baclofen (HCPCS code J0475) that converted the administration amount into an incorrect number of billable units. This was the cause of the billing errors. This error was corrected in the hospital's Meditech system when identified. Our pharmacy and charge master personnel have confirmed that multipliers are now set up correctly.**

Please let us know if you have any further questions.

Sincerely,

Sue Andersen
Chief Financial Officer
Marian Medical Center