



November 29, 2011

Report Number: A-09-11-02061

Mr. Mark Freitas
Director, Business and IT Services
Sierra Nevada Memorial Hospital
155 Glasson Way
Grass Valley, CA 95945

Dear Mr. Freitas:

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 Sierra Nevada 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 Tom Lin, Senior Auditor, at (415) 437-8360 or through email at Tom.Lin@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-09-11-02061 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
SIERRA NEVADA
MEMORIAL HOSPITAL**



Daniel R. Levinson
Inspector General

November 2011
A-09-11-02061

Office of Inspector General

<http://oig.hhs.gov>

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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.

Sierra Nevada Memorial Hospital (Sierra) is a hospital located in Grass Valley, California. Based on data analysis, we reviewed \$60,876 in Medicare payments to Sierra for 30 line items for injections of selected drugs during our audit period (March 1, 2008, through April 30, 2011). These line items consisted of injections for doxorubicin hydrochloride liposome, infliximab, paclitaxel, alteplase recombinant, and epoetin alfa.

OBJECTIVE

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

SUMMARY OF FINDINGS

For 21 of the 30 line items reviewed, Sierra did not bill Medicare in accordance with Federal requirements. Specifically, for 20 line items, Sierra billed the incorrect number of units of service, and for 1 line item, Sierra could not provide supporting documentation. As a result, Sierra received overpayments totaling \$25,311. Sierra attributed the overpayments to human error.

RECOMMENDATIONS

We recommend that Sierra:

- refund to the Medicare administrative contractor \$25,311 in identified overpayments and
- ensure compliance with Medicare billing requirements.

SIERRA NEVADA MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, Sierra concurred with our findings and provided information on actions taken to ensure compliance with Medicare billing requirements. Sierra'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 infliximab, paclitaxel, epoetin alfa, doxorubicin hydrochloride (HCl) liposome, and alteplase recombinant.

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 this drug is J1745 and is described as "Injection infliximab, 10 [milligrams]."

Paclitaxel

Paclitaxel is an injectable drug 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 30-milligram injection of paclitaxel. The HCPCS code for this drug is J9265 and is described as "Injection, paclitaxel, 30 [milligrams]."

Epoetin Alfa

Epoetin alfa is an injectable drug used to treat anemia. Medicare requires providers to bill one service unit for each 1,000 units of epoetin alfa administered. The HCPCS code for this drug is J0885 and is described as "Injection, epoetin alfa, (for non-esrd [end-stage renal disease] use), 1000 units."

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

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]."

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]."

Sierra Nevada Memorial Hospital

Sierra Nevada Memorial Hospital (Sierra) is a hospital located in Grass Valley, California. Sierra's Medicare 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 Sierra billed Medicare for injections of selected drugs in accordance with Federal requirements.

Scope

We reviewed \$60,876 in Medicare payments to Sierra for 30 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:

- 8 line items for doxorubicin HCl liposome totaling \$24,571,
- 2 line items for infliximab totaling \$18,235,
- 15 line items for paclitaxel totaling \$9,110,
- 2 line items for alteplase recombinant totaling \$6,180,² and
- 3 line items for epoetin alfa totaling \$2,780.

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

We identified these payments through data analysis.

We did not review Sierra's internal controls applicable to the 30 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 including contacting Sierra, located in Grass Valley, 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, infliximab, paclitaxel, alteplase recombinant, and epoetin alfa 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 30 line items totaling \$60,876 that Medicare paid to Sierra;
- contacted Sierra to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that Sierra furnished to verify whether each selected line item was billed correctly;
- calculated overpayments using corrected payment information; and
- discussed the results of our review with Sierra.

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 21 of the 30 line items reviewed, Sierra did not bill Medicare in accordance with Federal requirements. Specifically, for 20 line items, Sierra billed the incorrect number of units of service, and for 1 line item, Sierra could not provide supporting documentation. As a result, Sierra received overpayments totaling \$25,311. Sierra attributed the overpayments to 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 20 line items reviewed, Sierra billed Medicare for the incorrect number of units of service:

- For the two line items for infliximab, Sierra billed the incorrect number of units of service. For one of these line items, Sierra billed 210 service units instead of 110 service units. For the other line item, Sierra billed 160 service units instead of 60 service units. The incorrect billing resulted in overpayments totaling \$11,176.
- For the 15 line items for paclitaxel, Sierra billed the incorrect number of units of service. For 14 of these line items, Sierra billed 90 service units instead of 3 service units. For the remaining line item, Sierra billed 60 service units instead of 12 service units. The incorrect billing resulted in overpayments totaling \$8,705.

- For the three line items for epoetin alfa, Sierra billed the incorrect number of units of service. For two of these line items, Sierra billed 120 service units instead of 60 service units. For the remaining line item, Sierra billed 140 service units instead of 60 service units. The incorrect billing resulted in overpayments totaling \$1,441.

For one line item for doxorubicin HCL liposome, Sierra was unable to provide supporting documentation, resulting in an overpayment of \$3,989.

In total, Sierra received overpayments of \$25,311. Sierra attributed the overpayments to human error.

RECOMMENDATIONS

We recommend that Sierra:

- refund to the Medicare administrative contractor \$25,311 in identified overpayments and
- ensure compliance with Medicare billing requirements.

SIERRA NEVADA MEMORIAL HOSPITAL COMMENTS

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

APPENDIX

APPENDIX: SIERRA NEVADA MEMORIAL HOSPITAL COMMENTS



Sierra Nevada Memorial Hospital

A member of CHW

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November 4, 2011

Tom Lin
Senior Auditor
Office of Audit Services
Office of Inspector General
U.S. Department of Health and Human Services

Dear Mr. Lin:

I acknowledge and approve the public comments you received electronically from Mark Freitas. Please feel free to contact me with any questions.

Transmitted Comments:

“Sierra Nevada Memorial Hospital (SNMH) concurs with the findings of the Office of Inspector General. We appreciate these errors being brought to our attention and the opportunity to correct them. Our internal review revealed that human error caused an overstatement of the units of service on the claim resulting in an overpayment by the Medicare Program. We expanded the initial audit scope to a larger patient population and did not find any additional errors. SNMH will continue to periodically audit this area to ensure compliance with all regulatory requirements.”

Regards,

Carry Canady
Sierra Nevada Memorial Hospital
Chief Financial Officer