



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

November 28, 2011

Report Number: A-09-11-02062

Ms. Lois Maxwell
Director, Revenue Cycle
Enloe Medical Center
1531 Esplanade
Chico, CA 95926

Dear Ms. Maxwell:

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 Enloe 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 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-09-11-02062 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
ENLOE MEDICAL CENTER**



Daniel R. Levinson
Inspector General

November 2011
A-09-11-02062

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.

Enloe Medical Center (Enloe) is an acute-care hospital located in Chico, California. Based on data analysis, we reviewed \$85,658 in Medicare payments to Enloe for 41 line items for injections of selected drugs that Enloe billed to Medicare during our audit period (March 1, 2008, through April 30, 2011). These line items consisted of injections for Gamunex, paclitaxel, rituximab, infliximab, bortezomib, and bevacizumab.

OBJECTIVE

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

SUMMARY OF FINDINGS

For 33 of the 41 line items reviewed, Enloe did not bill Medicare in accordance with Federal requirements. Specifically, for 32 line items, Enloe billed the incorrect number of units of service, and for 1 line item, Enloe billed the incorrect HCPCS code and incorrect number of units of service. As a result, Enloe received overpayments totaling \$31,909. Enloe attributed the overpayments to its billing system and human error.

RECOMMENDATIONS

We recommend that Enloe:

- refund to the Medicare administrative contractor \$31,909 in identified overpayments and
- ensure compliance with Medicare billing requirements.

ENLOE MEDICAL CENTER COMMENTS

In written comments on our draft report, Enloe concurred with our findings and recommendations. Enloe also provided information on actions taken to refund the identified overpayments and ensure compliance with Medicare billing requirements. Enloe'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 paclitaxel, infliximab, rituximab, Gamunex, bortezomib, and bevacizumab.

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]."

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]."

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]."

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

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].”

Bortezomib

Bortezomib is an injectable drug used to treat multiple myeloma and mantle cell lymphoma. Medicare requires providers to bill one service unit for each 0.1-milligram injection of bortezomib. The HCPCS code for this drug is J9041 and is described as “Injection, bortezomib, 0.1 [milligrams].”

Bevacizumab

Bevacizumab is an injectable drug used to treat a certain type of brain tumor as well as cancers of the kidney, lung, colon, and rectum. Medicare requires providers to bill one service unit for each 10-milligram injection of bevacizumab. The HCPCS code for this drug is J9035 and is described as “Injection, bevacizumab, 10 [milligrams].”

Enloe Medical Center

Enloe Medical Center (Enloe) is an acute-care hospital located in Chico, California. Enloe’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 Enloe billed Medicare for injections of selected drugs in accordance with Federal requirements.

Scope

We reviewed \$85,658 in Medicare payments to Enloe for 41 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:

- 3 line items for Gamunex totaling \$24,801,
- 28 line items for paclitaxel totaling \$17,168,
- 2 line items for rituximab totaling \$11,436,

- 2 line items for infliximab totaling \$11,315,
- 5 line items for bortezomib totaling \$10,563, and
- 1 line item for bevacizumab totaling \$10,375.²

We identified these payments through data analysis.

We did not review Enloe's internal controls applicable to the 41 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 March to October 2011. Our fieldwork including contacting Enloe, located in Chico, 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 Gamunex, paclitaxel, rituximab, infliximab, bortezomib, and bevacizumab 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 41 line items totaling \$85,658 that Medicare paid to Enloe;
- contacted Enloe to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that Enloe 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 Enloe.

² For the six line items for bortezomib and bevacizumab, Enloe billed Medicare in accordance with Federal requirements.

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 33 of the 41 line items reviewed, Enloe did not bill Medicare in accordance with Federal requirements. Specifically, for 32 line items, Enloe billed the incorrect number of units of service, and for 1 line item, Enloe billed the incorrect HCPCS code and incorrect number of units of service. As a result, Enloe received overpayments totaling \$31,909. Enloe 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 32 line items reviewed, Enloe billed Medicare for the incorrect number of units of service:

- For the 28 line items for paclitaxel, Enloe billed the incorrect number of units of service. Rather than billing from 10 to 12 service units, Enloe billed from 16 to 100 service units, resulting in overpayments totaling \$15,319.

- For the two line items for infliximab, Enloe billed the incorrect number of units of service. Rather than billing 60 service units, Enloe billed 120 service units, resulting in overpayments totaling \$6,026.
- For the two line items for rituximab, Enloe billed the incorrect number of units of service. Rather than billing 7 and 8 service units, Enloe billed 13 service units, resulting in overpayments totaling \$5,243.

For one line item for Gamunex, Enloe billed Medicare for the incorrect HCPCS code and incorrect number of units of service. Rather than billing 160 service units of Flebogamma, the drug actually administered, Enloe billed 320 service units of Gamunex. The incorrect billing resulted in an overpayment of \$5,321.

In total, Enloe received overpayments of \$31,909. Enloe attributed the overpayments to its billing system and human error.

RECOMMENDATIONS

We recommend that Enloe:

- refund to the Medicare administrative contractor \$31,909 in identified overpayments and
- ensure compliance with Medicare billing requirements.

ENLOE MEDICAL CENTER COMMENTS

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

APPENDIX

APPENDIX: ENLOE MEDICAL CENTER COMMENTS



ENLOE
MEDICAL CENTER

November 14, 2011

Report number: A-09-11-02062

Ms. Lori A. Ahlstrand
Regional Inspector General
for Audit Services
DHHS/OIG/OAS
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

Dear Ms. Ahlstrand:

As requested, I am responding to your November 7th letter. Enloe Medical Center finds the OIG report to be appropriately detailed, and we agree with the scope, methodology and summary of findings.

RECOMMENDATIONS:

- We concur with the refund amount of \$31,909. To date, we have corrected the claims in question and refunded the Medicare administrative contractor, Palmetto, a total of \$31,806. We are in the process of refunding an additional \$103.
- We concur that we must ensure compliance with Medicare billing guidelines and have implemented the following action plan.

ACTION PLAN:

- In February 2010, Enloe engaged the services of Cardinal Health to review our Pharmacy charge master against our formulary to ensure the accuracy of the HCPCS codes, units and descriptions.
- We have implemented internal procedures to ensure that our drug formulary and billing system are in sync and accurate.
- We will further assess the hospital information system for proper pharmacy charge processing and based on findings will request, as necessary, vendor modifications to ensure completeness and accuracy.

1531 Esplanade, Chico, CA 95926 (530) 332-6300

- The billing staff has worked with and will continue coordination with the Pharmacy Department to ensure that drugs are credited correctly and the claim form accurately bills for the correct number of units.

Enloe Medical Center is committed to accurate and compliant billing. We appreciate the opportunity to correct our claims. As requested, we are providing an electronic copy via your Delivery Server. If you have additional questions, please contact me at 530-332-6353.

Sincerely,



Lois Maxwell
Revenue Cycle Director
530-332-6353
Lois.Maxwell@enloe.org

Cc: Myron Machula, Vice President and CFO
Brenda Boggs, Manager Risk and Compliance
Chris Marking, Director of Pharmacy