



DEPARTMENT OF HEALTH AND 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

March 16, 2012

Report Number: A-09-12-02007

Mr. Frederick Kuriger, FACHE  
Chief Executive Officer  
Catskill Regional Medical Center  
P.O. Box 800  
Harris, NY 12742

Dear Mr. Kuriger:

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 Catskill Regional 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.

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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](mailto:Iman.Zbinden@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-09-12-02007 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 12<sup>th</sup> 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  
CATSKILL REGIONAL  
MEDICAL CENTER**



Daniel R. Levinson  
Inspector General

March 2012  
A-09-12-02007

# *Notices*

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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.

# *Office of Inspector General*

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## **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.

Catskill Regional Medical Center (Catskill) is an acute-care hospital located in Harris, New York. Based on data analysis, we reviewed \$93,657 in Medicare payments to Catskill for nine line items for injections of selected drugs that Catskill billed to Medicare during our audit period (January 1, 2008, through April 30, 2011). These line items consisted of injections for doxorubicin hydrochloride liposome, trastuzumab, and epoetin alfa.

### **OBJECTIVE**

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

### **SUMMARY OF FINDINGS**

Of the nine line items reviewed, Catskill refunded an overpayment on one line item of \$1,520 before our fieldwork. For the eight remaining line items, Catskill did not bill Medicare in accordance with Federal requirements and received overpayments totaling \$78,932, which Catskill had not refunded by the beginning of our audit:

- For five line items, Catskill billed the incorrect number of units of service.
- For two line items, Catskill used the incorrect HCPCS code.
- For one line item, Catskill billed for a drug that was not administered.

Catskill attributed the overpayments to clerical errors.

## **RECOMMENDATIONS**

We recommend that Catskill:

- refund to the Medicare administrative contractor \$78,932 in identified overpayments and
- ensure compliance with Medicare billing requirements.

## **CATSKILL REGIONAL MEDICAL CENTER COMMENTS**

In written comments on our draft report, Catskill provided information on actions that it had taken to address our recommendations. Catskill'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, trastuzumab, and epoetin alfa.

#### *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]."

#### *Trastuzumab*

Trastuzumab is an injectable drug used to treat breast cancer that has progressed after treatment with other chemotherapy. Medicare requires providers to bill one service unit for each 10-milligram injection of trastuzumab. The HCPCS code for this drug is J9355 and is described as "Injection, trastuzumab, 10 [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. 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."

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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.

## **Catskill Regional Medical Center**

Catskill Regional Medical Center (Catskill) is an acute-care hospital located in Harris, New York. Catskill's claims are processed and paid by National Government Services, Inc. (NGS), the Medicare administrative contractor.

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

#### **Objective**

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

#### **Scope**

We reviewed \$93,657 in Medicare payments to Catskill for nine line items that we judgmentally selected as potentially at risk for billing errors during our audit period (January 1, 2008, through April 30, 2011). These line items consisted of:

- five line items for doxorubicin HCl liposome totaling \$83,073,
- one line item for trastuzumab totaling \$6,027, and
- three line items for epoetin alfa totaling \$4,557.

We identified these payments through data analysis.

We did not review Catskill's internal controls applicable to the nine 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 May 2011 to February 2012. Our fieldwork included contacting Catskill, located in Harris, New York.

#### **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, trastuzumab, 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 nine line items totaling \$93,657 that Medicare paid to Catskill;
- contacted Catskill to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that Catskill furnished to verify whether each selected line item was billed correctly;
- calculated overpayments using corrected payment information processed by NGS; and
- discussed the results of our review with Catskill.

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**

Of the nine line items reviewed, Catskill refunded an overpayment on one line item of \$1,520 before our fieldwork. For the eight remaining line items, Catskill did not bill Medicare in accordance with Federal requirements and received overpayments totaling \$78,932, which Catskill had not refunded by the beginning of our audit:

- For five line items, Catskill billed the incorrect number of units of service.
- For two line items, Catskill used the incorrect HCPCS code.
- For one line item, Catskill billed for a drug that was not administered.

Catskill attributed the overpayments to clerical errors.

### **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 five line items reviewed, Catskill billed Medicare for the incorrect number of units of service:

- For four line items for doxorubicin HCl liposome, Catskill billed the incorrect number of units of service. Rather than billing 6 or 7 service units, Catskill billed 30 or 65 service units. The incorrect billing resulted in overpayments totaling \$72,626.
- For the one line item for trastuzumab, Catskill billed the incorrect number of units of service. Rather than billing 57 service units, Catskill billed 114 service units. The incorrect billing resulted in an overpayment of \$3,206.

For two line items for epoetin alfa, Catskill billed Medicare using the HCPCS code for the administration of epoetin alfa rather than using the HCPCS code for the administration of darbepoetin alfa, the drug actually administered. The incorrect billing resulted in overpayments totaling \$2,117.

For one line item for doxorubicin HCl liposome, Catskill billed Medicare for three service units of doxorubicin HCl liposome that was not administered, resulting in an overpayment of \$983.

In total, Catskill received overpayments of \$78,932. Catskill attributed the overpayments to clerical errors.

## **RECOMMENDATIONS**

We recommend that Catskill:

- refund to the Medicare administrative contractor \$78,932 in identified overpayments and
- ensure compliance with Medicare billing requirements.

## **CATSKILL REGIONAL MEDICAL CENTER COMMENTS**

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

# **APPENDIX**

**APPENDIX: CATSKILL REGIONAL MEDICAL CENTER COMMENTS**



March 7, 2012

Report Number: A-09-12-02007

Ms. Lori A. Ahlstrand  
Department of Health and Human Services  
Office of the Inspector General  
Office of Audit Services, Region IX  
90 – 7<sup>th</sup> Street, Suite 3-650  
San Francisco, California 94103

Dear Ms. Ahlstrand,

This letter is in response to your draft report dated February 27, 2012 entitled *Review of Medicare Outpatient Billing for Selected Drugs at Catskill Regional Medical Center*. Of the nine line items reviewed for injections of selected drugs during the audit period of January 1, 2008 through April 30, 2011, Catskill Regional Medical Center refunded an overpayment on one item prior to the fieldwork. All other overpayments were refunded in June 2011.

- **OIG Recommendation #1**  
Refund to Medicare administrative contractor \$78, 932 in identified overpayments.  
**Response of Catskill Regional Medical Center**  
Catskill Regional Medical Center has refunded the identified overpayments of \$78,932.
- **OIG Recommendation #2**  
The OIG recommends that Catskill Regional Medical Center ensure compliance with Medicare billing requirements.  
**Response of Catskill Regional Medical Center**  
CRMC has revised our process regarding the charging for the administration of medications. Monitoring processes have been instituted for the purpose of validating the units charged. In addition, a reconciliation process between the clinical and financial systems has been created ensuring the accurate calculation of the number of billing units for a specific medication.

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We appreciate the opportunity to respond to this draft report. Should there be further questions, please contact Karen Sieverding, Director Corporate Compliance and Internal Audit at (845) 794-3300 ext. 2105 or at [sieverk@crmcny.org](mailto:sieverk@crmcny.org).

Sincerely,

A handwritten signature in cursive script, appearing to read "Frederick H. Kuriger".

Frederick Kuriger, FACHE  
Chief Executive Officer

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