



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



OFFICE OF AUDIT SERVICES, REGION IX
90 - 7TH STREET, SUITE 3-650
SAN FRANCISCO, CA 94103

March 8, 2012

Report Number: A-09-12-02009

Mr. Wendell Harris
Chief Executive Officer
Bates County Memorial Hospital
P.O. Box 370
Butler, MO 64730-0370

Dear Mr. Harris:

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 Bates County 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-09-12-02009 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
BATES COUNTY
MEMORIAL HOSPITAL**



Daniel R. Levinson
Inspector General

March 2012
A-09-12-02009

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.

Bates County Memorial Hospital (Bates) is an acute-care hospital located in Butler, Missouri. Based on data analysis, we reviewed \$61,823 in Medicare payments to Bates for seven line items for injections of selected drugs that Bates billed to Medicare during our audit period (January 1, 2008, through April 30, 2011). These line items consisted of injections for doxorubicin hydrochloride liposome and rituximab.

OBJECTIVE

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

SUMMARY OF FINDINGS

For the seven line items reviewed, Bates did not bill Medicare in accordance with Federal requirements:

- For six line items, Bates used the combination of an incorrect HCPCS code and the incorrect number of units of service.
- For one line item, Bates billed the incorrect number of units of service.

As a result, Bates received overpayments totaling \$58,560. Bates attributed the overpayments to billing system errors.

RECOMMENDATIONS

We recommend that Bates:

- refund to the Medicare fiscal intermediary \$58,560 in identified overpayments and
- ensure compliance with Medicare billing requirements.

BATES COUNTY MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, Bates agreed with our recommendations and provided information on actions that it had taken to address the recommendations. Bates' 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 doxorubicin hydrochloride (HCl) liposome and rituximab.

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]."

Rituximab

Rituximab is an injectable drug used to treat non-Hodgkin's lymphoma, chronic lymphocytic leukemia, and symptoms of adult rheumatoid arthritis. 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]."

Bates County Memorial Hospital

Bates County Memorial Hospital (Bates) is an acute-care hospital located in Butler, Missouri. Bates' claims are processed and paid by Wisconsin Physicians Service Insurance Corporation (WPS), the Medicare Part A fiscal intermediary.

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 Bates billed Medicare for injections of selected drugs in accordance with Federal requirements.

Scope

We reviewed \$61,823 in Medicare payments to Bates for seven 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:

- six line items for doxorubicin HCl liposome totaling \$54,766 and
- one line item for rituximab totaling \$7,057.

We identified these payments through data analysis.

We did not review Bates' internal controls applicable to the seven 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 Bates, located in Butler, Missouri.

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 and rituximab 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 seven line items totaling \$61,823 that Medicare paid to Bates;
- contacted Bates to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;

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

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 the seven line items reviewed, Bates did not bill Medicare in accordance with Federal requirements:

- For six line items, Bates used the combination of an incorrect HCPCS code and the incorrect number of units of service.
- For one line item, Bates billed the incorrect number of units of service.

As a result, Bates received overpayments totaling \$58,560. Bates attributed the overpayments to billing system 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 the seven line items reviewed, Bates did not bill Medicare in accordance with Federal requirements:

- For the six line items for doxorubicin HCl liposome, Bates billed Medicare using the HCPCS code for the administration of doxorubicin HCl liposome rather than using the HCPCS code for the administration of doxorubicin HCl, the drug actually administered. In addition, rather than billing 5 service units for these line items, Bates billed 22 service units. The incorrect billing resulted in overpayments totaling \$54,766.
- For the one line item for rituximab, Bates billed the incorrect number of units of service. Rather than billing 7 service units, Bates billed 14 service units. The incorrect billing resulted in an overpayment of \$3,794.

In total, Bates received overpayments of \$58,560. Bates attributed the overpayments to billing system errors.

RECOMMENDATIONS

We recommend that Bates:

- refund to the Medicare fiscal intermediary \$58,560 in identified overpayments and
- ensure compliance with Medicare billing requirements.

BATES COUNTY MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, Bates agreed with our recommendations and provided information on actions that it had taken to address the recommendations. Bates’ comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: BATES COUNTY MEMORIAL HOSPITAL COMMENTS



March 1, 2012

Department of Health and Human Services
Office of Inspector General
Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

RE: Report Number A-09-12-02009

Review of Medicare Outpatient Billing for Selected Drugs at Bates County Memorial Hospital

The following are the comments of Bates County Memorial Hospital for each of the recommendations:

- A. Refund to Medicare fiscal intermediary \$58,560 in identified overpayments.

Bates County Memorial Hospital is in agreement with this recommendation. All billings in relation to the overpayment have been corrected and all overpayments have been returned.

- B. Ensure compliance with Medicare billing requirements.

Bates County Memorial Hospital is in agreement with this recommendation. In order to ensure future compliance, all personnel in the revenue cycle have received training on proper pharmacy billing procedures. Additionally, the hospital has engaged the certified accounting firm of BKD to review and revise the hospital charge master.

Sincerely,

A handwritten signature in black ink, appearing to read "Wendell Harris", is written over a faint, larger version of the same signature.

Wendell Harris
Chief Executive Officer

(660) 200-7000

615 W. Nursery
P.O. Box 370
Butler, MO 64730
www.bcmhospital.com