

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICARE
OUTPATIENT BILLING FOR
SELECTED DRUGS AT SWEDISH
MEDICAL CENTER – FIRST HILL**

*Inquiries about this report may be addressed to the Office of Public Affairs at
Public.Affairs@oig.hhs.gov.*



**Lori A. Ahlstrand
Regional Inspector General**

October 2012
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Office of Inspector General

<https://oig.hhs.gov>

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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.

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.

Swedish Medical Center – First Hill (Swedish) is an acute-care hospital located in Seattle, Washington. Based on data analysis, we reviewed \$371,245 in Medicare payments to Swedish for 52 line items that Swedish billed to Medicare during our audit period (May 1, 2008, through August 31, 2011). These line items consisted of injections for:

- pemetrexed, a drug used to treat malignant mesothelioma and certain types of non-small cell lung cancer;
- rituximab, a drug used to treat non-Hodgkin's lymphoma;
- bevacizumab, a drug used to treat a certain type of brain tumor as well as cancers of the kidney, lung, colon, and rectum; and
- Privigen, a drug used to treat primary humoral immune deficiency conditions.

OBJECTIVE

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

SUMMARY OF FINDINGS

For 44 of the 52 line items reviewed, Swedish did not bill Medicare in accordance with Federal requirements. Specifically, Swedish billed the incorrect number of units of service. As a result, Swedish received overpayments totaling \$109,856. Swedish attributed the overpayments to billing system errors.

RECOMMENDATIONS

We recommend that Swedish:

- refund to the fiscal intermediary \$109,856 in identified overpayments and
- ensure compliance with Medicare billing requirements.

SWEDISH MEDICAL CENTER – FIRST HILL COMMENTS

In written comments on our draft report, Swedish concurred with our recommendations and provided information on actions that it had taken to address our first recommendation. Swedish'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 pemetrexed, rituximab, bevacizumab, and Privigen.

Pemetrexed

Pemetrexed is an injectable drug used to treat malignant mesothelioma and certain types of non-small cell lung cancer. Medicare requires providers to bill one service unit for each 10-milligram injection of pemetrexed. The HCPCS code for this drug is J9305 and is described as “Injection, pemetrexed, 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].”

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].”

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

Privigen

Privigen is an injectable drug used to treat primary humoral immune deficiency conditions and is also used to increase platelets (blood clotting cells) in people with idiopathic thrombocytopenic purpura. Medicare requires providers to bill one service unit for each 500-milligram injection of Privigen. The HCPCS code for this drug is J1459 and is described as “Injection, immune globulin (privigen), intravenous, non-lyophilized (e.g. liquid), 500 [milligrams].”

Swedish Medical Center – First Hill

Swedish Medical Center – First Hill (Swedish) is an acute-care hospital located in Seattle, Washington. Swedish’s claims are processed and paid by Wisconsin Physicians Service Insurance Corporation, the fiscal intermediary.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We reviewed \$371,245 in Medicare payments to Swedish for 52 line items that we selected as potentially at risk for billing errors during our audit period (May 1, 2008, through August 31, 2011). These line items consisted of:

- 36 line items for pemetrexed totaling \$232,690,
- 9 line items for rituximab totaling \$69,488,
- 6 line items for bevacizumab totaling \$59,737, and
- 1 line item for Privigen totaling \$9,330.

We identified these payments through data analysis.

We did not review Swedish’s internal controls applicable to the 52 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.

Our fieldwork included contacting Swedish, located in Seattle, Washington.

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 pemetrexed, rituximab, bevacizumab, and Privigen 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 52 line items totaling \$371,245 that Medicare paid to Swedish;
- contacted Swedish to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that Swedish furnished to verify whether each selected line item was billed correctly;
- calculated the correct payments for those claims requiring adjustments; and
- discussed the results of our review with Swedish.

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 44 of the 52 line items reviewed, Swedish did not bill Medicare in accordance with Federal requirements.² Specifically, Swedish billed the incorrect number of units of service. As a result, Swedish received overpayments totaling \$109,856. Swedish 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.

² For the six line items for bevacizumab and two line items for rituximab, Swedish billed Medicare in accordance with Federal requirements.

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 44 line items reviewed, Swedish billed Medicare for the incorrect number of units of service:

- For the 36 line items for pemetrexed, Swedish billed the incorrect number of units of service. Rather than billing 110 service units, Swedish billed 150 service units. The incorrect billing resulted in overpayments totaling \$70,831.
- For seven line items for rituximab, Swedish billed the incorrect number of units of service. Rather than billing from 7 to 10 service units, Swedish billed from 14 to 21 service units. The incorrect billing resulted in overpayments totaling \$33,869.
- For the one line item for Privigen, Swedish billed the incorrect number of units of service. Rather than billing 150 service units, Swedish billed 300 service units. The incorrect billing resulted in overpayments totaling \$5,156.

In total, Swedish received overpayments of \$109,856. Swedish attributed the overpayments to billing system errors.

RECOMMENDATIONS

We recommend that Swedish:

- refund to the fiscal intermediary \$109,856 in identified overpayments and
- ensure compliance with Medicare billing requirements.

SWEDISH MEDICAL CENTER – FIRST HILL COMMENTS

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

APPENDIX

APPENDIX: SWEDISH MEDICAL CENTER – FIRST HILL COMMENTS

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September 5, 2012

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Swedish Medical Center
Ballard

Swedish Medical Center
Cherry Hill

Swedish Medical Center
Edmonds

Swedish Medical Center
First Hill

Swedish Medical Center
Issaquah

Swedish Medical Center
Mill Creek

Swedish Medical Center
Redmond

Swedish Visiting Nurse
Services

Dear Ms. Ahlstrand:

This letter is in response to the draft report: *Review of Medicare Outpatient Billing for Selected Drugs at Swedish Medical Center – First Hill.*

The draft report makes two recommendations. Swedish Medical Center concurs with each.

1. *Recommendation: Refund to the fiscal intermediary \$109,856 in identified overpayments.* We concur with this recommendation. Swedish Medical Center has corrected all the identified claims; the claims have been reprocessed; and the identified overpayments have been repaid/recouped.
2. *Recommendation: Ensure compliance with Medicare billing requirements.* We concur with this recommendation. Swedish Medical Center has improved, and will continue to improve, its processes.

Thank you for the opportunity to respond to the draft report.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Harris", written over a horizontal line.

Dan Harris
Chief Financial Officer