



Office of Audit Services
Region I
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August 20, 2008

Report Number: A-01-08-00526

Mr. Joseph A. DiPietro, Esq
Senior VP of Operations and General Counsel
Kent County Memorial Hospital
455 Tollgate Road
Warwick, RI 02886

Dear Mr. DiPietro:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Oxaliplatin Billing at Kent County Memorial Hospital for Calendar Year 2004." 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Leah Scott, Audit Manager, at (617) 565 - 2679 or through e-mail at lscott@oig.hhs.gov. Please refer to report number A-01-08-00526 in all correspondence.

Sincerely,

A handwritten signature in cursive script that reads "Michael J. Armstrong".

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

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, Missouri 64106

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF OXALIPLATIN
BILLING AT KENT COUNTY
MEMORIAL HOSPITAL, FOR
CALENDAR YEAR 2004**



Daniel R. Levinson
Inspector General

August 2008
A-01-08-00526

Office of Inspector General

<http://oig.hhs.gov>

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The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

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 age 65 and over and those who are disabled or have permanent kidney disease. The Balanced Budget Act of 1997, Public Law 105-33, authorized the implementation of an outpatient prospective payment system (OPPS) effective August 1, 2000. Under the OPPS, Medicare makes additional temporary payments, called transitional pass-through payments, for certain drugs, biologicals, and devices.

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. Outpatient hospitals received transitional pass-through payments for oxaliplatin furnished to Medicare beneficiaries from July 1, 2003, through December 31, 2005. Medicare required hospitals to bill one service unit for each 5 milligrams of oxaliplatin that a beneficiary received.

Kent County Memorial Hospital (Kent County) is a 359-bed, nonprofit acute-care hospital in Warwick, Rhode Island. We reviewed oxaliplatin payments to Kent County for services provided to Medicare beneficiaries during calendar year (CY) 2004.

OBJECTIVE

Our objective was to determine whether Kent County billed Medicare for oxaliplatin in accordance with Medicare requirements.

SUMMARY OF FINDING

Kent County did not bill Medicare for oxaliplatin in accordance with Medicare requirements. Specifically, the hospital billed 10 times the number of units actually administered on all eight outpatient claims that we reviewed. Before the start of our audit, Kent County and the fiscal intermediary corrected three of the claims. For the five remaining claims, Kent County received overpayments totaling \$82,786 for oxaliplatin furnished to hospital outpatients during CY 2004. The overpayments occurred because Kent County did not establish procedures to ensure that the units of oxaliplatin billed corresponded to the units administered.

RECOMMENDATIONS

We recommend that Kent County:

- return the \$82,786 in overpayments to the fiscal intermediary and
- establish procedures to ensure that units billed for pass-through drugs under OPPS correspond to the units of drug administered.

AUDITEE COMMENTS

In comments on our draft report Kent County concurred with our finding and recommendations. The Hospitals comments are included in their entirety in 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 age 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services (CMS) administers the program.

Outpatient Prospective Payment System

The Balanced Budget Act of 1997, Public Law 105-33, authorized the implementation of an outpatient prospective payment system (OPPS) for hospital outpatient services furnished on or after August 1, 2000.

Under the OPPS, Medicare payments for most outpatient services are based on ambulatory payment classifications, which generally include payments for drugs billed as part of a service or procedure. However, Medicare makes additional temporary payments, referred to as transitional pass-through payments, for certain drugs, biologicals, and devices. Medicare establishes a timeframe of at least 2 years but no more than 3 years for providing these additional payments for a given drug, biological, or device.

Oxaliplatin

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. Outpatient hospitals received transitional pass-through payments for oxaliplatin furnished from July 1, 2003, through December 31, 2005. Medicare required hospitals to bill one service unit for each 5 milligrams of oxaliplatin that a beneficiary received.

Kent County Memorial Hospital

Kent County Memorial Hospital (Kent County) is a 359-bed, nonprofit acute-care hospital in Warwick, Rhode Island. Kent County's Medicare claims are processed and paid by Pinnacle Business Solutions, Inc., the fiscal intermediary for Rhode Island.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Kent County billed Medicare for oxaliplatin in accordance with Medicare requirements.

Scope

We reviewed eight payments totaling \$157,239 that Medicare made to Kent County for oxaliplatin services provided during CY 2004.

We limited our review of Kent County's internal controls to those applicable to billing for oxaliplatin services because our objective did not require an understanding of all internal 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, but we did not assess the completeness of the file.

We performed our audit work from April to June 2008.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- used CMS's National Claims History file to identify Medicare payments to Kent County for oxaliplatin furnished during CY 2004;
- contacted Kent County to determine whether the identified oxaliplatin services were billed correctly and, if not, why the services were billed incorrectly; and
- worked with Kent County staff to reprice incorrectly billed services.

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 finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATIONS

Kent County did not bill Medicare for oxaliplatin in accordance with Medicare requirements. Specifically, the hospital billed 10 times the number of units actually administered on all eight outpatient claims that we reviewed. Before the start of our audit, Kent County and the fiscal intermediary corrected three of the claims. For the five remaining claims, Kent County received overpayments totaling \$82,786 for oxaliplatin furnished to hospital outpatients during CY 2004. The overpayments occurred because Kent County did not establish procedures to ensure that the units of oxaliplatin billed corresponded to the units administered.

MEDICARE REQUIREMENTS

When hospitals submit Medicare claims for outpatient services, they must report the Health Care Common Procedure Coding System (HCPCS) codes that describe the services provided, as well as the service units for these codes. The Medicare Claims Processing Manual, Publication No. 100-04, Chapter 4, section 20.4, states: "The definition of service units . . . is the number of times the service or procedure being reported was performed." In addition, Chapter 1, section

80.3.2.2, of this manual states: “In order to be processed correctly and promptly, a bill must be completed accurately.”

Through its Transmittal A-03-051, Change Request 2771, dated June 13, 2003, CMS instructed outpatient hospitals to bill for oxaliplatin using HCPCS code C9205 to allow a transitional pass-through payment under OPSS. The description for HCPCS C9205 code is “injection, oxaliplatin, per 5 milligrams.” Therefore, for each 5 milligrams of oxaliplatin administered to a patient, outpatient hospitals should bill Medicare for one service unit.

MISCALCULATION OF BILLING UNITS

Kent County billed 10 times the correct number of service units on all eight claims for oxaliplatin furnished to Medicare beneficiaries during CY 2004. Rather than billing one service unit for each 5 milligrams of oxaliplatin administered, as Medicare requires, the hospital billed one service unit for each 0.5 milligrams administered. Before the start of our audit, Kent County and the fiscal intermediary correctly adjusted the service units on three of the eight claims. For the five remaining claims, Kent County received overpayments totaling \$82,786.

The overpayments occurred because Kent County did not establish procedures to ensure that the units of oxaliplatin billed corresponded to the units administered. The hospital also cited confusion caused by the existence of two HCPCS codes for oxaliplatin during CY 2004 and the inadvertent deletion of the correct HCPCS code from the American Medical Association’s 2004 HCPCS code book.¹

RECOMMENDATIONS

We recommend that Kent County:

- return the \$82,786 in overpayments to the fiscal intermediary and
- establish procedures to ensure that units billed for pass-through drugs under OPSS correspond to the units of drug administered.

AUDITEE COMMENTS

In comments on our draft report Kent County concurred with our finding and recommendations. The Hospitals comments are included in their entirety in the appendix.

¹ The American Medical Association’s 2004 HCPCS code book showed C9205 had been deleted and that J9263 was defined as “injection, oxaliplatin, per 0.5 milligrams.” However, CMS required that outpatient hospitals bill for oxaliplatin using C9205 and notified providers that J9263 was not payable under OPSS (68 Federal Register 63488 and 63634, November 7, 2003).

APPENDIX



Federal Express
Tracking No. 865174302900

August 15, 2008

Mr. Michael J. Armstrong
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services
Region I
John F. Kennedy Federal Building
Room 2425
Boston, MA 02203

RE: Report Number: A-01-08-00526 Review of Medicare Billing for Oxaliplatin at
Kent County Memorial Hospital During Calendar Year 2004

Dear Mr. Armstrong,

Thank you for providing us the opportunity to respond to your draft report. "Review of Medicare Billing for Oxaliplatin at Kent County Memorial Hospital During Calendar Year 2004."

We agree with the draft report and, at the direction of Rick Navarro, Senior Auditor of your office, Kent County Memorial Hospital has already issued a check in the amount of \$82,786.12, dated 5/16/08, Payable to Pinnacle Business Solutions for the 5 claims that were identified as overpayments during this review. We have taken steps internally to enhance our process of communicating coding/billing changes between Finance and the Pharmacy to ensure timely action has been taken.

We are strongly committed to ensuring compliance with Medicare rules and have initiated additional steps in our internal processes to help prevent improper payments in the future. We would like to thank your staff for their participation in this review.

If you have any questions, please contact me.

Very truly yours,

Joseph DiPietro, Esq.
Senior Vice President & General Counsel

JD/LN:ms

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