



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Office of Audit Services  
1100 Commerce, Room 632  
Dallas, TX 75242

February 9, 2009

Report Number: A-06-08-00085

Ms. Donna Gares  
President and Chief Executive Officer  
San Jacinto Methodist Hospital  
4401 Garth Road  
Baytown, Texas 77521

Dear Ms. Gares:


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 San Jacinto Methodist Hospital for Calendar Years 2004 and 2005." 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 Freedom of Information Act, 5 U.S.C. § 552, OIG reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act. 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 Warren Lundy, Audit Manager, at (405) 605-6183 or through e-mail at [Warren.Lundy@oig.hhs.gov](mailto:Warren.Lundy@oig.hhs.gov). Please refer to report number A-06-08-00085 in all correspondence.

Sincerely,

  
for Gordon L. Sato  
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, Missouri 64106

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF OXALIPLATIN  
BILLING AT SAN JACINTO  
METHODIST HOSPITAL FOR  
CALENDAR YEARS 2004 AND  
2005**



Daniel R. Levinson  
Inspector General

February 2009  
A-06-08-00085

# ***Office of Inspector General***

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
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Pursuant to the Freedom of Information Act, 5 U.S.C. § 552, Office of Inspector General reports generally are made available to the public to the extent that information in the report is not subject to exemptions in the Act.

## **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, P.L. 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.

San Jacinto Methodist Hospital (San Jacinto) is an acute-care hospital in Baytown, Texas, that has 178 Medicare-certified beds. We reviewed oxaliplatin payments to San Jacinto for services provided to Medicare beneficiaries during calendar years (CY) 2004 and 2005.

### **OBJECTIVE**

Our objective was to determine whether San Jacinto billed Medicare for oxaliplatin in accordance with Medicare requirements.

### **SUMMARY OF FINDING**

San Jacinto did not bill Medicare for oxaliplatin in accordance with Medicare requirements. Specifically, the hospital billed for 10 times the number of units that were actually administered on all three outpatient claims that we reviewed. The overpayments occurred because the hospital used an incorrect billing unit. As a result, San Jacinto received overpayments totaling \$104,106 for the excessive oxaliplatin units that it billed during CYs 2004 and 2005.

In response to our review, San Jacinto refunded \$101,551 to the fiscal intermediary for the three claims, leaving \$2,555 in outstanding overpayments.

### **RECOMMENDATIONS**

We recommend that San Jacinto:

- return the full overpayment amount of \$104,106 to the fiscal intermediary and
- establish procedures to ensure that units of drugs billed correspond to units of drugs administered.

## **SAN JACINTO COMMENTS**

In its comments on our draft report, San Angelo concurred with our finding and recommendations and said that it would process the remaining portions of the overpayments with TrailBlazer Health Enterprises. San Jacinto'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 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, P.L. 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, called transitional pass-through payments, for certain drugs, biologicals, and devices. Medicare established 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 using the Healthcare Common Procedure Coding System (HCPCS) code C9205.

#### **San Jacinto Methodist Hospital**

San Jacinto Methodist Hospital (San Jacinto) is an acute-care hospital in Baytown, Texas, that has 178 Medicare-certified beds. San Jacinto's Medicare claims are processed and paid by TrailBlazer Health Enterprises, LLC, the fiscal intermediary for Texas.

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

#### **Objective**

Our objective was to determine whether San Jacinto billed Medicare for oxaliplatin in accordance with Medicare requirements.

#### **Scope**

We reviewed three claims and the resulting three payments totaling \$113,569 that Medicare made to San Jacinto for oxaliplatin furnished to hospital outpatients during calendar years (CY) 2004 and 2005.

We limited our review of San Jacinto 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 information obtained from the CMS claim data for CYs 2004 and 2005, but we did not assess the completeness of the data.

We performed our audit work from August to December 2008.

## **Methodology**

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- used CMS’s claim data for CYs 2004 and 2005 to identify Medicare claims for which San Jacinto billed at least 100 units of oxaliplatin services under HCPCS code C9205 and received Medicare payments for those units that were greater than \$2,000;
- contacted San Jacinto to determine whether the identified oxaliplatin services were billed correctly and, if not, why the services were billed incorrectly;
- obtained and reviewed records from San Jacinto that supported the identified claims; and
- calculated overpayments using corrected payment information from TrailBlazer Health Enterprises, LLC.

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**

### **MEDICARE REQUIREMENTS**

When hospitals submit Medicare claims for outpatient services, they must report the 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.”

CMS Transmittal A-03-051, Change Request 2771, dated June 13, 2003, instructed outpatient hospitals to bill for oxaliplatin using HCPCS code C9205 to allow a transitional pass-through payment under the OPFS. The description for HCPCS code C9205 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**

San Jacinto did not bill Medicare for oxaliplatin in accordance with Medicare requirements. Specifically, the hospital billed for 10 times the number of units that were actually administered on all three outpatient claims that we reviewed. During 2004 and 2005, the HCPCS listed J9263 as another code for oxaliplatin services. The additional code’s billing unit of 0.5 milligrams of oxaliplatin was inadvertently used on the hospital’s chargemaster rather than the appropriate 5 milligrams in HCPCS code C9205.<sup>1</sup> As a result, San Jacinto received overpayments totaling \$104,106 for the excessive oxaliplatin units that it billed during CYs 2004 and 2005.

In response to our review, San Jacinto refunded \$101,551 to the fiscal intermediary for the three claims, leaving \$2,555 in outstanding overpayments.

## **RECOMMENDATIONS**

We recommend that San Jacinto:

- return the full overpayment amount of \$104,106 to the fiscal intermediary and
- establish procedures to ensure that units of drugs billed correspond to units of drugs administered.

## **SAN JACINTO COMMENTS**

In its comments on our draft report, San Angelo concurred with our finding and recommendations and said that it would process the remaining portions of the overpayments with TrailBlazer Health Enterprises. San Jacinto’s comments are included in their entirety as the Appendix.

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<sup>1</sup>A hospital charge description master, otherwise known as a chargemaster, contains the prices of all separately charged services, goods, and procedures and is used to generate a patient’s bill.

# **APPENDIX**

**Methodist** San Jacinto  
Methodist Hospital

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4401 Garth Road  
Baytown, Texas 77521  
(281) 420-8600

January 20, 2009

Mr. Gordon L. Sato  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
Office of Inspector General / Office of Audit Services  
1100 Commerce, Room 632  
Dallas, Texas 75242

Re: *Report Number: A-06-08-00085*

Dear Mr. Sato:

This letter is submitted in response to the draft report entitled "Review of Oxaliplatin Billing at San Jacinto Methodist Hospital for Calendar Years 2004 and 2005" issued by the Office of Audit Services ("OAS") to San Jacinto Methodist Hospital (the "Hospital").

The Hospital agrees with the draft report and has already refunded almost all of the identified overpayments as indicated in the report. The Hospital will review and process the remaining portions of the identified overpayments with TrailBlazer Health Enterprises.

The Hospital is committed to conducting its business in compliance with the Medicare rules. Accordingly, the Hospital has also reviewed its internal processes so as to prevent similar unintentional billing errors in the future.

Sincerely,



Donna Gares  
President and Chief Executive Officer