



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

APR 23 2009

Report Number: A-04-08-07002

Mr. Bruce Hughes
President/CEO
Palmetto GBA
P.O. Box 100134
Columbia, South Carolina 29202

Dear Mr. Hughes:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Palmetto GBA's Medicare Outpatient Payments for Oxaliplatin Drug Services in North Carolina." 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 Andrew Funtal, Audit Manager, at (404) 562-7762 or through e-mail at Andrew.Funtal@oig.hhs.gov. Please refer to report number A-04-08-07002 in all correspondence.

Sincerely,

A handwritten signature in cursive script that reads "Peter J. Barbera".

Peter J. Barbera
Regional Inspector General
for Audit Services

Enclosure

Page 2 – Mr. Bruce Hughes

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, Missouri 64106

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF PALMETTO GBA'S
MEDICARE OUTPATIENT
PAYMENTS FOR OXALIPLATIN
DRUG SERVICES IN NORTH
CAROLINA**



Daniel R. Levinson
Inspector General

April 2009
A-04-08-07002

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

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.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

Office of Investigations

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

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 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. Section 4523 of the Balanced Budget Act of 1997 (P.L. No.105-33) provides authority for CMS to implement an outpatient prospective payment system (OPPS) for hospital outpatient services. Under OPPS, CMS pays a predetermined amount for designated services and provides for an additional payment, referred to as transitional pass-through payments, for certain innovative medical devices, drugs, and biologicals.

Oxaliplatin is a chemotherapy drug used to treat colon or rectal cancer. Effective July 1, 2003, hospitals were instructed to bill for Oxaliplatin using Healthcare Common Procedure Coding System (HCPCS) code C9205 to allow a transitional pass-through payment under OPPS. The use of HCPCS code C9205 requires hospitals to bill one service unit for each 5 milligrams of Oxaliplatin administered to a patient.

Palmetto GBA (Palmetto) is the Medicare fiscal intermediary for North Carolina. During calendar years (CYs) 2004 and 2005, Palmetto processed and paid outpatient claims for Oxaliplatin services in the State of North Carolina.

OBJECTIVE

Our objective was to determine whether Medicare payments that Palmetto made to hospitals in North Carolina for Oxaliplatin services were appropriate.

SUMMARY OF FINDINGS

At the time of our review, most of the claims that Palmetto paid for Oxaliplatin services were correct. We reviewed 91 claims Palmetto paid for Oxaliplatin services provided during CYs 2004 and 2005. Our analysis indicated that, at the start of our fieldwork in April 2008:

- Two payments were correct, as initially paid.
- Eighty-three of the payments were incorrect as initially paid; however, the hospitals identified and refunded the \$1,762,070 in overpayments to Palmetto.
- Six of the payments were incorrect, and the hospitals had not refunded the \$160,096 in overpayments.

The overpayments occurred because Palmetto did not have edits in place during CYs 2004 or 2005 to ensure that the units of Oxaliplatin billed corresponded to the units administered.

RECOMMENDATIONS

We recommend that Palmetto:

- recover the \$160,096 in overpayments and
- establish procedures to ensure that units billed for pass-through drugs under OPSS correspond to the units of drug administered.

PALMETTO GBA COMMENTS

In written comments on our draft report, Palmetto agreed with our recommendations and described its plan of action. Palmetto's comments appear in their entirety as the Appendix.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
BACKGROUND	1
Outpatient Prospective Payment System	1
Oxaliplatin.....	1
Palmetto GBA.....	1
OBJECTIVE, SCOPE, AND METHODOLOGY	1
Objective	1
Scope.....	2
Methodology	2
FINDINGS AND RECOMMENDATIONS	3
FEDERAL REQUIREMENTS	3
EXCESSIVE UNITS OF SERVICE	3
RECOMMENDATIONS	4
PALMETTO GBA COMMENTS	4
APPENDIX	
PALMETTO GBA COMMENTS	

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. Medicare guidance requires hospitals to bill services accurately, using proper Health Care Common Procedure Coding System (HCPCS) codes, and reporting units of service specifying the number of times the service or procedure was performed.

Outpatient Prospective Payment System

Section 4523 of the Balanced Budget Act of 1997 (P.L. No. 105-33)¹ provides authority for CMS to implement an outpatient prospective payment system (OPPS)² for hospital outpatient services. OPPS services are identified by HCPCS and classified into clinically comparable groups called Ambulatory Payment Classifications (APC). Under OPPS, CMS pays a predetermined amount for designated services and provides for additional payments, referred to as transitional pass-through payments, for certain innovative medical devices, drugs, and biologicals.

Oxaliplatin

Oxaliplatin is a chemotherapy drug used to treat colon or rectal cancer. Effective July 1, 2003, hospitals were instructed to bill for Oxaliplatin using HCPCS code C9205 to allow a transitional pass-through payment under OPPS. The use of HCPCS code C9205 requires hospitals to bill one service unit for each 5 milligrams of Oxaliplatin administered to a patient.

Palmetto GBA

Palmetto GBA (Palmetto) is the Medicare fiscal intermediary for North Carolina. During calendar years (CYs) 2004 and 2005, Palmetto processed and paid outpatient claims for Oxaliplatin services in the State of North Carolina.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether Medicare payments that Palmetto made to hospitals in North Carolina for Oxaliplatin services were appropriate.

¹The Act §§ 1833(t) and 1871; 42 U.S.C. §§ 1302, 1395(t), and 1395(hh).

²OPPS was published in the Federal Register (65 Fed. Reg. 18434 (Apr. 7, 2000)) and went into effect on August 1, 2000.

Scope

We reviewed 91 Medicare payments, totaling \$2,189,223 that Palmetto made to hospitals in North Carolina for Oxaliplatin services provided during CYs 2004 and 2005.

We limited our review of Palmetto's internal controls to those applicable to processing and paying 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 fieldwork from April through August 2008. Our fieldwork included contacting Palmetto, located in Columbia, South Carolina, and the providers in North Carolina that received payments for Oxaliplatin services.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;
- used CMS's National Claims History file to identify the Medicare fiscal intermediaries that, during CYs 2004 and 2005, processed outpatient claims with a paid amount of \$50,000 or less and had an average utilization level of 100 units or more of Oxaliplatin (payments over \$50,000 were reviewed in other audits);
- selected for our review the 91 outpatient claims paid by Palmetto in North Carolina with a paid amount of \$50,000 or less and a utilization level of 100 units or more of Oxaliplatin;
- contacted Palmetto and the hospitals that received the payments to determine whether the identified Oxaliplatin services were billed correctly and, if not, why the services were billed incorrectly; and
- requested Palmetto and the hospitals to quantify the overpayments.

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

At the time of our review, most of the claims that Palmetto paid for Oxaliplatin services were correct. We reviewed 91 claims Palmetto paid for Oxaliplatin services provided during CYs 2004 and 2005. Our analysis indicated that, at the start of our fieldwork in April 2008:

- Two payments were correct, as initially paid.
- Eighty-three of the payments were incorrect as initially paid; however, the hospitals identified and refunded the \$1,762,070 in overpayments to Palmetto.
- Six of the payments were incorrect, and the hospitals had not refunded the \$160,096 in overpayments.

The overpayments occurred because Palmetto did not have edits in place during CYs 2004 or 2005 to ensure that the units of Oxaliplatin billed corresponded to the units administered.

FEDERAL REQUIREMENTS

Section 9343(g) of the Omnibus Budget Reconciliation Act of 1986 requires hospitals to report claims for outpatient services using coding from the HCPCS 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-03-51, Change Request 2771, dated June 13, 2003, CMS instructed outpatient hospitals, effective July 1, 2003, to bill for Oxaliplatin using HCPCS code C9205 (APC 9205) to allow a transitional pass-through payment under OPSS. The description for HCPCS code C9205 is injection, Oxaliplatin, per 5 milligrams. Therefore, the use of HCPCS code C9205 requires hospitals to bill one service unit for each 5 milligrams of Oxaliplatin administered to a patient.

EXCESSIVE UNITS OF SERVICE

On 89 claims, Palmetto paid five hospitals 10 times the correct number of service units for Oxaliplatin furnished to Medicare patients during CYs 2004 and 2005. Rather than paying one service unit for each 5 milligrams of Oxaliplatin administered, as CMS requires, Palmetto paid one service unit for each 0.5 milligrams administered. Before the start of our audit, the hospitals correctly adjusted the service units on 83 of the 89 incorrect claims and had refunded the \$1,762,070 in overpayments. For the six remaining claims, neither Palmetto nor the hospitals had identified and refunded \$160,096 in overpayments.

The overpayments occurred because Palmetto did not have edits in place during CYs 2004 or 2005 to ensure that the units of Oxaliplatin billed corresponded to the units administered.

RECOMMENDATIONS

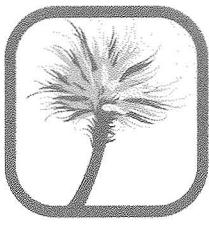
We recommend that Palmetto:

- recover the \$160,096 in overpayments and
- establish procedures to ensure that units billed for pass-through drugs under OPPS correspond to the units of drug administered.

PALMETTO GBA COMMENTS

In written comments on our draft report, Palmetto agreed with our recommendations and described its plan of action. Palmetto's comments appear in their entirety as the Appendix.

APPENDIX



March 23, 2009

Peter J. Barbera
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

Reference: Draft Report No. A-04-08-07002

Dear Mr. Barbera:

This letter is in response to the recent Office of Inspector General (OIG) draft report entitled "Review of Palmetto's Medicare Outpatient Payments for Oxaliplatin Drug Services in North Carolina, Intermediary #382, for the Period January 1, 2004, Through December 31, 2005." We appreciate the feedback that your review provided and are committed to continuously improving our service to the Medicare beneficiaries and providers we serve.

As stated in the draft report, overall it was found that 89 of the 91 outpatient claims reviewed resulted in overpayments. Palmetto GBA paid one service unit for each .05 milligrams administered rather than paying one service unit for each 5 milligrams of Oxaliplatin administered for five hospitals. It was noted in the review that hospitals correctly adjusted the service units on 83 of the 89 incorrect claims and refunded the \$1,760,070 in overpayments.

Palmetto GBA has completed adjustments for the remaining six claims identified as overpayments, fulfilling the recommendation set forth by the OIG review to recover the \$160,096 in identified overpayments.

Palmetto GBA will also implement controls to ensure the units billed for pass-through drugs under OPDS correspond to the units of drug administered. The controls will likely include the expansion and implementation of additional prepayment edits to mitigate excessive payments.

Palmetto GBA continues to take a very proactive approach to provider education delivering clear, concise, and timely instruction in all possible educational venues. The following educational initiatives have been completed to reinforce provider education as it relates to billing and high-dollar payments:

- ◆ September 2008 Medicare Advisory (ACT Teleconference Announcement Published)
- ◆ September 11, 2008 ACT Teleconference Announcement and Minutes
- ◆ September 2008 High Dollar Edit article posted to the Palmetto GBA website

Peter J. Barbera
March 23, 2009
Page 2

In addition, we have upcoming workshops in April 2009 where we will reinforce provider education as it relates to billing pass-through drugs under OPPS and the need to correspond the units of drugs administered to the units billed.

Thank you for providing Palmetto GBA with the opportunity to provide feedback regarding your review. If you have any questions, please do not hesitate to contact me.

Sincerely



cc: Sandra Y. Brown, Atlanta Regional Office, CMS