DEPARTMENT OF HEALTH & HUMAN SERVICES **OFFICE OF INSPECTOR GENERAL**

Office of Audit Services, Region IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, GA 30303

November 5, 2009

Report Number: A-04-09-06112

Ms. Beth Hills
Compliance Officer
Lancaster General Health
555 N. Duke Street
PO Box 3555
Lancaster, Pennsylvania 17604

Dear Ms. Hills:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Lancaster General Hospital Medicare Outpatient Payments for Oxaliplatin." 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 call me, or contact Andrew Funtal, Audit Manager, at (404) 562-7762 or through email at Andrew.Funtal@oig.hhs.gov. Please refer to report number A-04-09-06112 in all correspondence.

Sincerely,

/Peter J. Barbera/
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 E. 12th Street, Room 235
Kansas City, Missouri 64106

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF LANCASTER GENERAL HOSPITAL MEDICARE OUTPATIENT PAYMENTS FOR OXALIPLATIN

Daniel R. Levinson
Inspector General

November 2009
A-04-09-06112

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:

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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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Notices

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

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 age 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services, which administers the program, contracts with fiscal intermediaries to process and pay Medicare Part B claims submitted by hospital outpatient departments. Medicare uses an outpatient prospective payment system to pay for hospital outpatient services.

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. During our audit period (calendar year (CY) 2005), Medicare required hospital outpatient departments to bill one service unit for every 5 milligrams of oxaliplatin administered. Before July 2003, Medicare required billing one service unit for every 0.5 milligrams administered.

Lancaster General Hospital (LGH) is a Medicare-participating hospital that belongs to Lancaster General Health, a regional healthcare system. We reviewed three payments totaling $138,621 made to LGH. Each of these payments amounted to less than $50,000 for more than 100 units of oxaliplatin.

OBJECTIVE

Our objective was to determine, for selected payments, whether LGH billed its fiscal intermediary for the correct number of service units of oxaliplatin.

SUMMARY OF FINDING

For all three payments reviewed, totaling $138,621, LGH billed its fiscal intermediary for the incorrect number of service units of oxaliplatin. As a result, it received overpayments totaling $114,000 during CY 2005. These overpayments occurred primarily because LGH did not update its systems following a change in Medicare billing guidance.

RECOMMENDATION

We recommend that LGH refund to the fiscal intermediary $114,000 for the identified overpayments.

LANCASTER GENERAL HOSPITAL COMMENTS

In written comments on our draft report, LGH stated that it agrees with our findings and that its fiscal intermediary had already reprocessed these claims. LGH's comments appear in their entirety as the Appendix.

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INTRODUCTION

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 Centers for Medicare & Medicaid Services (CMS) administers the program.

Medicare Fiscal Intermediaries

CMS contracts with fiscal intermediaries to, among other things, process and pay Medicare Part B claims submitted by hospital outpatient departments. The intermediaries' responsibilities include determining reimbursement amounts, conducting reviews and audits, and safeguarding against fraud and abuse.[1]

Outpatient Prospective Payment System

Pursuant to the Balanced Budget Act of 1997, P.L. No. 105-33 § 4523, Social Security Act, § 1833, 42 U.S.C. § 13951, CMS implemented an outpatient prospective payment system (OPPS) for hospital outpatient services. The OPPS applies to services furnished on or after August 1, 2000.

Under the OPPS, Medicare pays for services on a rate-per-service basis using the ambulatory payment classification group to which each service is assigned. The OPPS uses the Healthcare Common Procedure Coding System (HCPCS) to identify and group services into an ambulatory payment classification group.

Oxaliplatin

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. During our audit period (calendar year (CY) 2005), Medicare required hospital outpatient departments to bill one service unit for every 5 milligrams of oxaliplatin administered.

Lancaster General Hospital

Lancaster General Hospital (LGH) is a Medicare-participating hospital that belongs to Lancaster General Health, a regional healthcare system. Wisconsin Physicians Service Insurance Corporation (fiscal intermediary) processes and pays LGH's Medicare claims.

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[1]Section 911 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, P.L. No. 108-173 § 911, Social Security Act § 1842, and 42 U.S.C. § 1395u require CMS to transfer the functions of fiscal intermediaries to Medicare administrative contractors by October 2011.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine, for selected payments, whether LGH billed its fiscal intermediary for the correct number of service units of oxaliplatin.

Scope

We reviewed four payments totaling $164,266 that LGH billed its fiscal intermediary for oxaliplatin during CY 2005. Each of these payments amounted to less than $50,000.[2] Prior to the start of our audit, the fiscal intermediary cancelled one payment because it was an HMO's responsibility to pay. We reviewed the remaining three payments totaling $138,621.

We did not review LGH's internal controls applicable to the three payments because our objective did not require an understanding of controls over the submission and processing 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 conducted fieldwork from July through August 2009. Our fieldwork included contacting LGH in Lancaster, Pennsylvania, and the fiscal intermediary in Glastonbury, Connecticut.

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 CY 2005, processed outpatient claims with a paid amount of less than$50,000 and had an utilization level of 100 units or more of oxaliplatin;
- selected for review three outpatient claims paid to LGH with a paid amount of less than $50,000 and a utilization level of 100 units or more of oxaliplatin;[3]
- contacted LGH to determine whether the service units were billed correctly and, if not, why the service units were billed incorrectly; and
- confirmed with the fiscal intermediary that overpayments occurred and refunds were appropriate.

[2]We limited our review to payments of less than $50,000 to avoid duplicating audit work covering payments of $50,000 or more.

[3]For materiality purposes, we excluded payments for claims with fewer than 100 units of oxaliplatin.

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.

FINDING AND RECOMMENDATION

For all three payments reviewed, totaling $138,621, LGH billed its fiscal intermediary for the incorrect number of service units of oxaliplatin. As a result, LGH received overpayments totaling $114,000 during CY 2005. These overpayments occurred primarily because LGH did not update its systems following a change in Medicare billing guidance.

MEDICARE 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. CMS's "Medicare Claims Processing Manual," Pub. 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."

For outpatient services furnished before July 1, 2003, CMS instructed hospitals to bill for oxaliplatin using HCPCS code J3490. The service unit for that code was 0.5 milligrams.

Through CMS Transmittal A-03-051, Change Request 2771, dated June 13, 2003, CMS instructed hospital outpatient departments to bill for oxaliplatin using HCPCS code C9205 for services furnished on or after July 1, 2003.[4] The description for HCPCS code C9205 was "Injection, oxaliplatin, per 5 mg." Therefore, for every 5 milligrams of oxaliplatin administered to a patient, hospital outpatient departments should have billed Medicare for one service unit during our audit period.[5]

INCORRECT NUMBER OF SERVICE UNITS BILLED

During CY 2005, LGH billed its fiscal intermediary for the incorrect number of service units on the three claims reviewed and, as a result, received overpayments totaling $114,000. Rather than billing one service unit for every 5 milligrams of oxaliplatin administered, as Medicare required, LGH billed one service unit for every 0.5 milligrams administered.

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[4]Although the American Medical Association's 2004 HCPCS code book showed that code C9205 had been deleted as of 2004, CMS notified hospitals to continue using HCPCS code C9205 for oxaliplatin services furnished in 2004 and 2005 (68 Fed. Reg. 63398, 63488 (Nov. 7, 2003); 69 Fed. Reg. 65682, 66104 (Nov. 15, 2004)).

[5]CMS instructed hospitals to bill for oxaliplatin using HCPCS code J9263 for services furnished on or after January 1, 2006 (70 Fed. Reg. 68516, 68632 (Nov. 10, 2005); CMS Transmittal 786, Change Request 4250 (Dec. 16, 2005)). The service unit for that code is 0.5 milligram.

The overpayments occurred primarily because LGH did not update its system following the change required by CMS Transmittal A-03-051.

RECOMMENDATION

We recommend that LGH refund to the fiscal intermediary $114,000 for the identified overpayments.

LANCASTER GENERAL HOSPITAL COMMENTS

In written comments on our draft report, LGH stated that it agrees with our findings and that its fiscal intermediary had already reprocessed these claims. LGH's comments appear in their entirety as the Appendix.

APPENDIX

APPENDIX: LANCASTER GENERAL HOSPITAL COMMENTS

555 N. Duke Street
Lancaster, PA 17604

DELIVERED VIA ENCRYPTED EMAIL

October 19, 2009

Mr. Peter J. Barbera
Regional Inspector General
Office of Audit Services

Subject: Report Number A-04-09-06112

Dear Mr. Barbera:

This letter is Lancaster General Hospital's (LGH's) response to the Office of Inspector General's (OIG's) Office of Audit Services (OAS) draft report dated September 12, 2009 entitled "Review of Lancaster General Hospital Medicare Outpatient Payments for Oxaliplatin."

LGH has reviewed the draft report and agrees with the OIG's finding that LGH was overpaid on the three claims identified in the draft report. The LGH billing system reflects that its fiscal intermediary, Wisconsin Physician Services (WPS), has already reprocessed these claims; therefore it is our belief that no further action is needed in order to correct the overpayment.

Additionally, LGH conducted a root cause analysis of this problem and has determined that the American Medical Association's inadvertent deletion of HCPCS code C9205 and introduction of a new HCPCS code (J9263) for the same drug during the same time period (but with different unit measures) contributed to unintentional human error.

Lastly, LGH is committed to conducting its business in compliance with Medicare rules. As such, LGH's comprehensive Compliance Program complies with the OIG's Compliance Program Guidance for Hospitals. Integral to the LGH Compliance Program is an internal auditing system that that monitors, identifies, and corrects billing errors. When billing errors are identified, corrected claims are submitted and overpayments refunded to Medicare and the beneficiary, as appropriate.

We appreciate the opportunity to review the draft report. If you have any questions regarding this response, please contact me at 717-544-5866.

Sincerely,

Elizabeth D. Hills, MJ, RHIA, CHC, CPC
Compliance Officer
Lancaster General Health