Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

MEDICARE COMPLIANCE REVIEW OF COMMUNITY MEDICAL CENTER FOR CALENDAR YEARS 2010 AND 2011

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

Patrick J. Cogley
Regional Inspector General

July 2013
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Office of Inspector General

https://oig.hhs.gov/

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EXECUTIVE SUMMARY

Community Medical Center did not comply with Medicare requirements for billing outpatient claims with Lupron injections, resulting in overpayments of $157,946 over 2 years.

WHY WE DID THIS REVIEW

This review is part of a series of hospital compliance reviews. Using computer matching, data mining, and data analysis techniques, we identified hospital claims, including outpatient claims with Lupron injections, that are at risk for noncompliance with Medicare billing requirements. For calendar year (CY) 2011, Medicare paid hospitals $151 billion, which represents 45 percent of all fee-for-service payments; therefore, the Office of Inspector General must provide continual and adequate oversight of Medicare payments to hospitals.

The objective of this review was to determine whether Community Medical Center (Community) complied with Medicare requirements for billing outpatient claims with Lupron injections.

BACKGROUND

The Centers for Medicare & Medicaid Services (CMS) pays for hospital outpatient services on a rate-per-service basis that varies according to the assigned ambulatory payment classification.

Community is a 146-bed acute care hospital located in Missoula, Montana. Medicare paid Community approximately $14 million for 65,257 outpatient claims for services provided to beneficiaries during CYs 2010 and 2011 based on CMS's National Claims History data.

Our audit covered $206,747 in Medicare payments to Community for 57 outpatient claims with Lupron injections for CYs 2010 and 2011 (audit period). We judgmentally selected these claims as potentially at risk for billing errors.

WHAT WE FOUND

Community did not comply with Medicare billing requirements for all 57 of the outpatient claims with Lupron injections that we reviewed, resulting in overpayments of $157,946 for the audit period. These errors occurred because Community did not have adequate controls to prevent the incorrect billing of Medicare outpatient claims with Lupron injections.

WHAT WE RECOMMEND

We recommend that Community:

- refund to the Medicare contractor $157,946 in overpayments for the 57 incorrectly billed outpatient claims and

- strengthen controls to ensure full compliance with Medicare requirements for billing outpatient claims with Lupron injections.

AUDITEE COMMENTS

In written comments on our draft report, Community stated that it had refunded the $157,946 in overpayments and described corrective actions that it had taken to ensure compliance with Medicare requirements.

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INTRODUCTION

WHY WE DID THIS REVIEW

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OBJECTIVE

Our objective was to determine whether Community Medical Center (Community) complied with Medicare requirements for billing outpatient claims with Lupron injections.

BACKGROUND

The Medicare Program

Medicare Part B provides supplementary medical insurance for medical and other health services, including coverage of hospital outpatient services. The Centers for Medicare & Medicaid Services (CMS) administers the Medicare program.

CMS contracts with Medicare contractors to, among other things, process and pay claims submitted by hospitals.

Hospital Outpatient Prospective Payment System

CMS implemented an outpatient prospective payment system (OPPS), which is effective for services furnished on or after August 1, 2000, for hospital outpatient services. Under the OPPS, Medicare pays for hospital outpatient services on a rate-per-service basis that varies according to the assigned ambulatory payment classification (APC). CMS uses Healthcare Common Procedure Coding System (HCPCS) codes and descriptors to identify and group the services within each APC group.[1] All services and items within an APC group are comparable clinically and require comparable resources.

Medicare Requirements for Hospital Claims and Payments

Medicare payments may not be made for items or services that "… are not reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member" (the Social Security Act (the Act), § 1862(a)(1)(A)). In addition, the Act precludes payment to any provider of services or other person without information necessary to determine the amount due the provider (the Act, § 1833(e)).

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

Federal regulations state that the provider must furnish to the Medicare contractor sufficient information to determine whether payment is due and the amount of the payment (42 CFR § 424.5(a)(6)).

The *Medicare Claims Processing Manual* (the Manual) requires providers to complete claims accurately so that Medicare contractors may process them correctly and promptly (Pub. No. 100-04, chapter 1, § 80.3.2.2). The Manual states that providers must use HCPCS codes for most outpatient services (chapter 23, § 20.3).

Community Medical Center

Community is a 146-bed acute care hospital located in Missoula, Montana. Medicare paid Community approximately $14 million for 65,257 outpatient claims for services provided to beneficiaries during CYs 2010 and 2011 based on CMS's National Claims History data.

HOW WE CONDUCTED THIS REVIEW

Our audit covered $206,747 in Medicare payments to Community for 57 outpatient claims with Lupron injections for CYs 2010 and 2011(audit period). We judgmentally selected these claims as potentially at risk for billing errors.

We limited our review to the line items on the 57 claims for which Community billed for Lupron injections. We evaluated compliance with selected billing requirements and did not include a focused medical review to determine whether the services were medically necessary. This report does not represent an overall assessment of all claims submitted by Community for Medicare reimbursement.

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 objectives.

See Appendix A for the details of our scope and methodology.

FINDING

Community did not comply with Medicare billing requirements for all 57 of the outpatient claims with Lupron injections that we reviewed, resulting in overpayments of $157,946 for the audit period. These errors occurred because Community did not have adequate controls to prevent the incorrect billing of Medicare outpatient claims with Lupron injections.

INCORRECT HEALTHCARE COMMON PROCEDURE CODING SYSTEM CODE FOR LUPRON INJECTIONS

Section 1833(e) of the Act precludes payment to any provider of services or other person without information necessary to determine the amount due the provider. The Manual, chapter 1, § 80.3.2.2, states: "In order to be processed correctly and promptly, a bill must be completed accurately." The Manual, chapter 17, § 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, § 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 …."

The Food and Drug Administration (FDA) identifies and reports drug products with a universally used unique, three-segment number called the national drug code (NDC). Each quarter, CMS provides Medicare contractors with an updated listing that cross-references the NDC to the drug name, billing units, and HCPCS code.

Lupron is a drug commonly used to treat hormone-dependent cancers. The FDA approved Lupron for the treatment of disorders relating to the uterus and for the treatment of prostatic cancer. According to the NDCs in effect during our audit period, Lupron was available for the treatment of: (1) disorders relating to the uterus, in doses of 3.75 mg once a month or 11.5 mg once every 3 months, and was linked to HCPCS code J1950; and (2) prostatic cancer, in doses of 7.5 mg once a month, 22.5 mg once every 3 months, or 30 mg once every 4 months, and was linked to HCPCS code J9217.

For all 57 selected claims that we sampled, Community incorrectly billed Medicare for Lupron injections. Specifically, Community billed Medicare using HCPCS code J1950 when its documentation showed that according to administered dosage, Community should have billed Medicare using HCPCS code J9217.

INADEQUATE CONTROLS

These errors occurred because Community did not have adequate controls to ensure that it assigned the correct HCPCS code for outpatient claims with Lupron injections. Specifically, Community officials stated that Community billed at the higher rate associated with HCPCS code J1950 because its coding software did not distinguish between HCPCS codes J1950 and J9217.

MEDICARE OVERPAYMENTS RECEIVED BY COMMUNITY

As a result of these errors, Community received overpayments of $157,946 for outpatient claims with Lupron injections for the audit period.

RECOMMENDATIONS

We recommend that Community:

- refund to the Medicare contractor $157,946 in overpayments for the 57 incorrectly billed outpatient claims and

- strengthen controls to ensure full compliance with Medicare requirements for billing outpatient claims with Lupron injections.

AUDITEE COMMENTS

In written comments on our draft report, Community stated that it had refunded the $157,946 in overpayments and described corrective actions that it had taken to ensure compliance with Medicare requirements.

Community's comments appear in their entirety as Appendix B.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered $206,747 in Medicare payments to Community for 57 outpatient claims with Lupron injections for CYs 2010 and 2011. We judgmentally selected these claims as potentially at risk for billing errors.

We limited our review to the line items on the 57 claims for which Community billed for Lupron injections. We evaluated compliance with selected billing requirements and did not include a focused medical review to determine whether the services were medically necessary.

We limited our review of Community's internal controls to those applicable to the outpatient claims with Lupron injections because our objective did not require an understanding of all internal controls over the submission and processing of claims. We established 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.

This report does not represent an overall assessment of all claims submitted by Community for Medicare reimbursement.

We conducted fieldwork from August 2012 through March 2013.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- extracted Community's outpatient paid claim data from CMS's National Claims History file for the audit period;
- used computer matching, data mining, and analysis techniques to identify claims potentially at risk for noncompliance with selected Medicare billing requirements;
- selected a judgmental sample of 57 outpatient claims with Lupron injections for detailed review;
- reviewed available data from CMS's Common Working File for the selected claims to determine whether the claims had been cancelled or adjusted;
- reviewed the medical record documentation provided by Community to support the selected claims;
- requested that Community conduct its own review of the selected claims to determine whether the services were billed correctly;

- discussed the incorrectly billed claims with Community officials to determine the underlying causes of noncompliance with Medicare requirements;

- calculated the correct payments for the 57 outpatient claims with Lupron injections; and

- discussed the results of our review with Community officials on March 8, 2013.

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 objectives.

APPENDIX B: AUDITEE COMMENTS

COMMUNITY MEDICAL CENTER
From day one.

2827 Fort Missoula Road
Missoula, MT 59804
TEL (406) 728-4100
www.communitymed.org

July 8, 2013

Patrick J. Cogley
Office of the Inspector General
Office of Audit Services, Region VII
601 East 12th Street, Room 0429
Kansas City, MO 66106

RE: Report Number A-07-12-0119

Dear Mr. Cogley,

Community Medical Center appreciates the opportunity to provide comments on the above report number. We have worked closely with your staff during this process and are grateful for the guidance and assistance they have provided. Community Medical Center wishes to comply with the recommendations made in the report and while we don't necessarily agree with the conclusions, our goal is to maintain the highest level of compliance as we have done in the past and to maintain the integrity of our charge and billing practices. Community Medical Center is also committed to follow the letter of the law as it has been explained to us by your office.

Specific to the recommendations in the report:

- Refund to the Medicare contractor $157,946 in overpayments for the 57 incorrectly billed outpatient claims
  - All accounts identified in the report have been resubmitted as requested and reprocessed according to the guidelines provided and the monies returned to the Medicare contractor
- Strengthen controls to ensure full compliance with Medicare requirements for billing outpatient claims with Lupron injections
  - Based on the guidance from this audit, we have changed the methodology used for determining the most appropriate HCPCS code to use on not only Lupron, but all other drugs which may have multiple choices to assign a billing code

Community Medical Center believes that the errors identified by this audit are primarily the result of inadequate direction provided for billing of Lupron. When searching for the proper HCPCS code to describe Lupron, our sources provided two codes, either of which is appropriate, to describe the drug. The differentiation between these two codes (J1950 and J9217) was the

units of dosage. The HCPCS codes do not describe conditions in which this drug can be used, nor do they indicate that there is any difference in administration methods, gender or any other factors which may influence a provider's choice on the proper usage. Additionally, there were no NCD's or LCD's to assist us in making this determination. Upon receipt of the audit, we were informed that the manufacturer's instructions did provide some insight as to what they recommended was an appropriate use of specific HCPCS codes. The only differentiation between the codes must be found at the NDC level. To our knowledge, no other drug uses the same trade name for the exact same formula yet has differing HCPCS based on the patient's condition.

In response to this audit, Community Medical Center took steps to ensure that this misunderstanding will not occur again. We contracted with a firm specializing in pharmacy chargemaster review to audit our pharmacy chargemaster and make recommendations for improvement. In addition, they provided on-site consultation with our departments to ensure compliance. We also have begun using not only the trade name, but the NDC to cross-reference HCPCS codes before assigning them to a new drug. These measures will ensure that no misinterpretations will occur in the future.

Thank you for your considering our position in this matter. If you need further details, please contact us.

Respectfully,

David Richhart

David Richhart
Vice President, Finance