DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDIT SERVICES, REGION IX
90 - 7TH STREET, SUITE 3-650
SAN FRANCISCO, CA 94103

July 10, 2012

Report Number: A-09-12-02024

Mr. Sean McMurray
Vice President and Chief Executive Officer
Johnston Memorial Hospital
16000 Johnston Memorial Drive
Abingdon, VA 24211

Dear Mr. McMurray:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Medicare Outpatient Billing for Selected Drugs at Johnston Memorial Hospital*. 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 contact Iman Zbinden, Senior Auditor, at (619) 557-6131, extension 109, or through email at Iman.Zbinden@oig.hhs.gov, or contact Alice Norwood, Audit Manager, at (415) 437-8360 or through email at Alice.Norwood@oig.hhs.gov. Please refer to report number A-09-12-02024 in all correspondence.

Sincerely,

/Lori A. Ahlstrand/
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 12th Street, Room 355
Kansas City, MO 64106

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF MEDICARE OUTPATIENT BILLING FOR SELECTED DRUGS AT JOHNSTON MEMORIAL HOSPITAL

Daniel R. Levinson
Inspector General

July 2012
A-09-12-02024

Office of Inspector General

http://oig.hhs.gov

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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 aged 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services administers the program.

Medicare guidance requires providers to submit accurate claims for outpatient services. Each submitted Medicare claim contains detail regarding each provided service (called a line item in this report). Providers should use the appropriate Healthcare Common Procedure Coding System (HCPCS) codes and report units of service as the number of times that a service or procedure was performed or, if the HCPCS code is associated with a drug, the number of units administered.

Johnston Memorial Hospital (Hospital) is an acute-care hospital located in Abingdon, Virginia. Based on data analysis, we reviewed $136,772 in Medicare payments to the Hospital for 31 line items for injections of selected drugs that the Hospital billed to Medicare during our audit period (January 1, 2008, through April 30, 2011). These line items consisted of injections for doxorubicin hydrochloride liposome, pemetrexed, rituximab, immune globulin, and adenosine.

OBJECTIVE

Our objective was to determine whether the Hospital billed Medicare for injections of selected drugs in accordance with Federal requirements.

SUMMARY OF FINDINGS

For the 31 line items reviewed, the Hospital did not bill Medicare in accordance with Federal requirements:

- For 26 line items, the Hospital used the incorrect HCPCS code.
- For five line items, the Hospital billed the incorrect number of units of service.

As a result, the Hospital received overpayments totaling $118,182. The Hospital attributed the overpayments to billing system and clerical errors.

RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare administrative contractor $118,182 in identified overpayments and
- ensure compliance with Medicare billing requirements.

JOHNSTON MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, the Hospital concurred with our findings and recommendations. In addition, the Hospital provided information on actions that it had taken or planned to take to address the recommendations. The Hospital'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 aged 65 and over and those who are disabled or have permanent kidney disease. The Centers for Medicare & Medicaid Services (CMS) administers the program.

Medicare Requirements for Outpatient Claims

Medicare guidance requires providers to submit accurate claims for outpatient services. Each submitted Medicare claim contains detail regarding each provided service (called a line item in this report). Providers should use the appropriate Healthcare Common Procedure Coding System (HCPCS) codes and report units of service as the number of times that a service or procedure was performed or, if the HCPCS code is associated with a drug, the number of units administered.[1]

Selected Drugs

The drugs we reviewed in this audit were doxorubicin hydrochloride (HCl) liposome, pemetrexed, rituximab, immune globulin, and adenosine.

Doxorubicin Hydrochloride Liposome

Doxorubicin HCl liposome is an injectable drug used to treat metastatic ovarian cancer and AIDS-related Kaposi's sarcoma. Medicare requires providers to bill one service unit for each 10-milligram injection of doxorubicin HCl liposome. The HCPCS code for this drug is J9001 and is described as "Injection, doxorubicin hydrochloride, all lipid formulations, 10 [milligrams]."

Pemetrexed

Pemetrexed is an injectable drug used to treat malignant mesothelioma and certain types of non-small cell lung cancer. Medicare requires providers to bill one service unit for each 10-milligram injection of pemetrexed. The HCPCS code for this drug is J9305 and is described as "Injection, pemetrexed, 10 [milligrams]."

Rituximab

Rituximab is an injectable drug used to treat non-Hodgkin's lymphoma, chronic lymphocytic leukemia, and symptoms of adult rheumatoid arthritis. Medicare requires providers to bill one service unit for each 100-milligram injection of rituximab. The HCPCS code for this drug is J9310 and is described as "Injection, rituximab, 100 [milligrams]."

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

Immune Globulin

Immune globulin is an injectable drug used to treat primary immune deficiency conditions (e.g., chronic inflammatory demyelinating polyneuropathy). Medicare requires providers to bill one service unit for each 500-milligram injection of immune globulin. The HCPCS code for this drug is J1566 and is described as "Injection, immune globulin, intravenous, lyophilized (e.g. powder), not otherwise specified, 500 [milligrams]."

Adenosine

Adenosine is an injectable drug used to treat supraventricular tachycardia. Medicare requires providers to bill one service unit for each 30-milligram injection of adenosine. The HCPCS code for this drug is J0152 and is described as "Injection, adenosine for diagnostic use, 30 [milligrams]."

Johnston Memorial Hospital

Johnston Memorial Hospital (Hospital) is an acute-care hospital located in Abingdon, Virginia. The Hospital's claims are processed and paid by Palmetto GBA, LLC (Palmetto), the Medicare administrative contractor.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether the Hospital billed Medicare for injections of selected drugs in accordance with Federal requirements.

Scope

We reviewed $136,772 in Medicare payments to the Hospital for 31 line items that we selected as potentially at risk for billing errors during our audit period (January 1, 2008, through April 30, 2011). These line items consisted of:

- 25 line items for doxorubicin HCl liposome totaling $97,515,
- 2 line items for pemetrexed totaling $26,009,
- 1 line item for rituximab totaling $6,076,
- 1 line item for immune globulin totaling $4,788, and
- 2 line items for adenosine totaling $2,384.

We identified these payments through data analysis.

We did not review the Hospital's internal controls applicable to the 31 line items because our objective did not require an understanding of 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 for our audit period, but we did not assess the completeness of the file.

Our fieldwork included contacting the Hospital, located in Abingdon, Virginia.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- used CMS's National Claims History file to identify paid Medicare claims for doxorubicin HCl liposome, pemetrexed, rituximab, immune globulin, and adenosine during our audit period;
- used computer matching, data mining, and analysis techniques to identify line items potentially at risk for noncompliance with Medicare billing requirements;
- identified 31 line items totaling $136,772 that Medicare paid to the Hospital;
- contacted the Hospital to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that the Hospital furnished to verify whether each selected line item was billed correctly;
- calculated overpayments using corrected payment information processed by Palmetto; and
- discussed the results of our review with the Hospital.

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

For the 31 line items reviewed, the Hospital did not bill Medicare in accordance with Federal requirements:

- For 26 line items, the Hospital used the incorrect HCPCS code.

- For five line items, the Hospital billed the incorrect number of units of service.

As a result, the Hospital received overpayments totaling $118,182. The Hospital attributed the overpayments to billing system and clerical errors.

FEDERAL 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.

Section 1833(e) of the Act states: "No payment shall be made to any provider of services … unless there has been furnished such information as may be necessary in order to determine the amounts due such provider … for the period with respect to which the amounts are being paid …."

CMS's *Medicare Claims Processing Manual*, Pub. No. 100-04 (the Manual), chapter 4, section 20.4, states: "The definition of service units … is the number of times the service or procedure being reported was performed."

The Manual, chapter 17, section 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, section 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 …."

Chapter 1, section 80.3.2.2, of the Manual states: "In order to be processed correctly and promptly, a bill must be completed accurately."

INCORRECT BILLING

For 26 line items reviewed, the Hospital billed Medicare using the incorrect HCPCS code:

- For the 25 line items for doxorubicin HCl liposome, the Hospital billed Medicare using the HCPCS code for the administration of doxorubicin HCl liposome rather than using the HCPCS code for the administration of doxorubicin HCl, the drug actually administered. The incorrect billing resulted in overpayments totaling $97,515.

- For the one line item for immune globulin, the Hospital billed Medicare using the HCPCS code for the administration of lyophilized immune globulin rather than using the HCPCS code for the administration of non-lyophilized immune globulin containing Gammagard Liquid, the drug actually administered. The incorrect billing resulted in an underpayment of $1,144.

For five line items reviewed, the Hospital billed Medicare for the incorrect number of units of service:

- For the two line items for pemetrexed, the Hospital billed the incorrect number of units of service. Rather than billing 105 service units, the Hospital billed 210 and 350 service units, respectively. The incorrect billing resulted in overpayments totaling $17,462.

- For the two line items for adenosine, the Hospital billed the incorrect number of units of service. Rather than billing 1 service unit, the Hospital billed 9 and 29 service units, respectively. The incorrect billing resulted in overpayments totaling $2,260.

- For the one line item for rituximab, the Hospital billed the incorrect number of units of service. Rather than billing 9 service units, the Hospital billed 12 service units. The incorrect billing resulted in an overpayment of $2,089.

In total, the Hospital received overpayments of $118,182. The Hospital attributed the overpayments to billing system and clerical errors.

RECOMMENDATIONS

We recommend that the Hospital:

- refund to the Medicare administrative contractor $118,182 in identified overpayments and

- ensure compliance with Medicare billing requirements.

JOHNSTON MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, the Hospital concurred with our findings and recommendations. In addition, the Hospital provided information on actions that it had taken or planned to take to address the recommendations. The Hospital's comments are included in their entirety as the Appendix.

APPENDIX

APPENDIX: JOHNSTON MEMORIAL HOSPITAL COMMENTS

JOHNSTON
MEMORIAL HOSPITAL
Mountain States Health Alliance

May 29, 2012

Lori A. Ahlstrand
Regional Inspector General
Office of Audit Services, Region IX
90- 7th Street, Suite 3-650
San Francisco, CA 94103

Re: Report Number: A-09-12-02024

Dear Ms. Ahlstrand,

This letter is in response to the draft report *Review of Medicare Outpatient Billing for Selected Drugs at Johnston Memorial Hospital.* We concur with your findings that the 31 line items reviewed were not billed in accordance with Medicare guidelines and resulted in overpayments made to Johnston Memorial Hospital. We also concur with your recommendations.

Upon discovery of the findings, we took immediate action and submitted corrected claims to Palmetto GBA. All claims have been reprocessed and the overpayments refunded. To ensure compliance with the Medicare billing requirements, our Pharmacy Chargemaster Coordinator verified the correct HCPCS codes and billing multiplier assignments are accurate. In addition, we will monitor our Pharmacy billings as part of our Compliance Program.

We appreciate the opportunity to respond to this draft report and we also appreciate the cooperation and assistance of Adam Cramer during this process.

Sincerely,

Sean McMurray

Sean McMurray, Vice President and Chief Executive Officer
Johnston Memorial Hospital

16000 Johnston Memorial Drive Abingdon, Virginia 24211 Telephone 276-258-1000