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 17, 2012

Report Number: A-09-12-02033

Mr. John Majchrzak
Chief Financial Officer
Touchette Regional Hospital
5900 Bond Avenue
Centreville, IL 62207

Dear Mr. Majchrzak:

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 Touchette Regional 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-09-12-02033 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 TOUCHETTE REGIONAL HOSPITAL

Daniel R. Levinson
Inspector General

July 2012
A-09-12-02033

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.

Touchette Regional Hospital (Touchette) is an acute-care hospital located in Centreville, Illinois. Based on data analysis, we reviewed $119,091 in Medicare payments to Touchette for 20 line items for injections of selected drugs that Touchette billed to Medicare during our audit period (January 1, 2008, through April 30, 2011). These line items consisted of injections for bevacizumab and paclitaxel.

OBJECTIVE

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

SUMMARY OF FINDING

For 14 of the 20 line items reviewed, Touchette did not bill Medicare in accordance with Federal requirements. Specifically, Touchette billed the incorrect number of units of service. As a result, Touchette received overpayments totaling $55,322. Touchette attributed the overpayments to a billing system error.

RECOMMENDATIONS

We recommend that Touchette:

- refund to the Medicare fiscal intermediary $55,322 in identified overpayments and
- ensure compliance with Medicare billing requirements.

TOUCHETTE REGIONAL HOSPITAL COMMENTS

In written comments on our draft report, Touchette concurred with our recommendations and provided information on actions that it had taken to address the recommendations. Touchette'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 bevacizumab and paclitaxel.

Bevacizumab

Bevacizumab is an injectable drug used to treat a certain type of brain tumor as well as cancers of the kidney, lung, colon, and rectum. Medicare requires providers to bill one service unit for each 10-milligram injection of bevacizumab. The HCPCS code for this drug is J9035 and is described as "Injection, bevacizumab, 10 [milligrams]."

Paclitaxel

Paclitaxel is an injectable drug used to treat certain types of cancer (e.g., ovarian cancer and AIDS-related Kaposi's sarcoma). Medicare requires providers to bill one service unit for each 30-milligram injection of paclitaxel. The HCPCS code for this drug is J9265 and is described as "Injection, paclitaxel, 30 [milligrams]."

Touchette Regional Hospital

Touchette Regional Hospital (Touchette) is an acute-care hospital located in Centreville, Illinois. Touchette's claims are processed and paid by National Government Services, Inc. (NGS), the Medicare Part A fiscal intermediary.

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

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We reviewed $119,091 in Medicare payments to Touchette for 20 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:

- 6 line items for bevacizumab totaling $62,633[2] and
- 14 line items for paclitaxel totaling $56,458.

We identified these payments through data analysis.

We did not review Touchette's internal controls applicable to the 20 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 Touchette, located in Centreville, Illinois.

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 bevacizumab and paclitaxel 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 20 line items totaling $119,091 that Medicare paid to Touchette;
- contacted Touchette to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;

[2] For the six line items for bevacizumab, Touchette billed Medicare in accordance with Federal requirements.

- reviewed documentation that Touchette furnished to verify whether each selected line item was billed correctly;

- calculated overpayments using corrected payment information processed by NGS; and

- discussed the results of our review with Touchette.

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 finding 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

For 14 of the 20 line items reviewed, Touchette did not bill Medicare in accordance with Federal requirements. Specifically, Touchette billed the incorrect number of units of service. As a result, Touchette received overpayments totaling $55,322. Touchette attributed the overpayments to a billing system error.

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 the 14 line items for paclitaxel, Touchette billed Medicare for the incorrect number of units of service. Rather than billing from 5 to 16 service units, Touchette billed from 220 to 760 service units. The incorrect billing resulted in overpayments totaling $55,322. Touchette attributed the overpayments to a billing system error.

RECOMMENDATIONS

We recommend that Touchette:

- refund to the Medicare fiscal intermediary $55,322 in identified overpayments and
- ensure compliance with Medicare billing requirements.

TOUCHETTE REGIONAL HOSPITAL COMMENTS

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

APPENDIX

APPENDIX: TOUCHETTE REGIONAL HOSPITAL COMMENTS

Touchette
Regional Hospital

5900 Bond Avenue Centreville, Illinois 62207
p | 618.332.3060 f | 618.332.5256

May 30, 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-09-12-02033

Dear Ms. Ahlstrand,

I have reviewed the draft report of the *Review of Medicare Outpatient Billing for Selected Drugs* and would like to submit the following statements for each of the recommendations:

Recommendation:	*refund to the Medicare fiscal intermediary $55,322 in identified overpayments*
Statement:	We concur with the recommendation. All claims were adjusted and repaid / recouped.
Recommendation:	*ensure compliance with Medicare billing requirements*
Statement:	We concur with the recommendation. The computer system issue that caused these errors was corrected prior to this audit. In addition, our system now includes various validation checks and we have created MUEs in our claim validation system to help ensure compliance.

I apologize for these errors and we have made the necessary corrections. If you have any questions or need more information, please contact me at your convenience at (618) 332-5400 or via email at jmajchrzak@touchette.org.

Sincerely,

John Majchrzak
Chief Financial Officer