MAY 20 2009

TO: Charlene Frizzera
    Acting Administrator
    Centers for Medicare & Medicaid Services

FROM: Joseph E. Vengrin
    Deputy Inspector General for Audit Services

SUBJECT: Review of Oxaliplatin Claims Processed by National Government Services for Calendar Years 2004 and 2005 (A-05-09-00010)

Attached is an advance copy of our final report on oxaliplatin claims processed by National Government Services for hospitals in Michigan, Wisconsin, Illinois, and Ohio for calendar years (CY) 2004 and 2005. We will issue this report to National Government Services within 5 business days.

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. During our audit period (CYs 2004 and 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.

Our objective was to determine, for selected payments, whether hospitals billed National Government Services for the correct number of service units of oxaliplatin.

For all 88 payments reviewed, 10 hospitals billed National Government Services for the incorrect number of service units of oxaliplatin. As a result, the hospitals received overpayments totaling $2,216,783 during CYs 2004 and 2005. These overpayments occurred primarily because the hospitals did not update their systems following a change in Medicare billing guidance.

We recommend that National Government Services recover the $2,216,783 in overpayments to hospitals.

In written comments on our draft report, National Government Services agreed with our finding and recommendation and said that it had recouped all of the outstanding provider overpayments.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through e-mail at George.Reeb@oig.hhs.gov.
or Marc Gustafson, Regional Inspector General for Audit Services, Region V, at (312) 353-2621 or through e-mail at Marc.Gustafson@oig.hhs.gov. Please refer to report number A-05-09-00010.

Attachment
MAY 27 2009

Report Number: A-05-09-00010

Ms. Sandy Miller
President
National Government Services
8115 Knue Road
Indianapolis, Indiana 46207

Dear Ms. Miller:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled “Review of Oxaliplatin Claims Processed by National Government Services for Calendar Years 2004 and 2005.” 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 Jaime Saucedo, Audit Manager, at (312) 353-8693 or through e-mail at Jaime.Saucedo@oig.hhs.gov. Please refer to report number A-05-09-00010 in all correspondence.

Sincerely,

[Signature]

Marc Gustafson
Regional Inspector General
for Audit Services

Enclosure
cc:
Ms. Sarah Litteral
Director, Part A/RHHI Claims
National Government Services
9001 Linn Station Road
Louisville, Kentucky  40223

**Direct Reply to HHS Action Official:**

Ms. Nanette Foster Reilly
Consortium Administrator
Consortium for Financial Management and 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 OXLALIPLATIN
CLAIMS PROCESSED BY
NATIONAL GOVERNMENT
SERVICES FOR CALENDAR YEARS
2004 AND 2005

Daniel R. Levinson
Inspector General

May 2009
A-05-09-00010
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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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 years (CY) 2004 and 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.

During our audit period, United Government Services was the fiscal intermediary for Michigan and Wisconsin, and Administar was the fiscal intermediary for Illinois and Ohio. In 2007, National Government Services assumed the business operations of United Government Services and Administar. Therefore, this report refers to the two former fiscal intermediaries as “National Government Services.”

We reviewed 88 payments totaling $2,433,498 that National Government Services made to 10 hospitals in Michigan, Wisconsin, Illinois, and Ohio. 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 hospitals billed National Government Services for the correct number of service units of oxaliplatin.

SUMMARY OF FINDING

For all 88 payments reviewed, the 10 hospitals billed National Government Services for the incorrect number of service units of oxaliplatin. As a result, the hospitals received overpayments totaling $2,216,783 during CYs 2004 and 2005. These overpayments occurred primarily because the hospitals did not update their systems following a change in Medicare billing guidance.

RECOMMENDATION

We recommend that National Government Services recover the $2,216,783 in overpayments to hospitals.
In written comments on our draft report, National Government Services agreed with our finding and recommendation and said that it had recouped all of the outstanding provider overpayments. National Government Services’ comments are included in their entirety as the Appendix.
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- National Government Services Comments
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


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 years (CY) 2004 and 2005), Medicare required hospital outpatient departments to bill one service unit for every 5 milligrams of oxaliplatin administered.

National Government Services

During our audit period, United Government Services was the fiscal intermediary for Michigan and Wisconsin, and Administar was the fiscal intermediary for Illinois and Ohio. During that period, the two fiscal intermediaries made a total of 7,200 payments of less than $50,000 each to hospitals in the four States for oxaliplatin.

In January 2007, National Government Services assumed the business operations of United Government Services and Administar. Therefore, this report refers to the two former fiscal intermediaries for the four States as “National Government Services.”

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine, for selected payments, whether hospitals billed National Government Services for the correct number of service units of oxaliplatin.

Scope

We reviewed 88 payments totaling $2,433,498 that National Government Services made to 10 hospitals for oxaliplatin during CYs 2004 and 2005. Each of these payments amounted to less than $50,000.²

We did not review National Government Services’ internal controls applicable to the 88 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 October through December 2008. Our fieldwork included contacting National Government Services, located in Cincinnati, Ohio, and the 10 hospitals that received the 88 payments.

Methodology

To accomplish our objective, we:

- reviewed applicable Medicare laws, regulations, and guidance;

- used CMS’s National Claims History file to identify 7,200 Medicare payments less than $50,000 each made to hospitals in Michigan, Wisconsin, Illinois, and Ohio for oxaliplatin during CYs 2004 and 2005;

- selected for review 88 payments greater than $2,000 each made to hospitals with five or more claims for more than 100 units of oxaliplatin;³

- contacted the 10 hospitals that received the 88 payments to determine whether the service units were billed correctly and, if not, why the service units were billed incorrectly; and

- confirmed with National Government Services that overpayments occurred and refunds were appropriate.

²We limited our review to payments less than $50,000 because we previously reviewed payments of $50,000 or more (report numbers A-05-07-00066, issued in March 2008, and A-05-07-00065, issued in September 2007).

³For materiality purposes, we excluded payments of $2,000 or less and payments for claims with 100 or fewer 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 finding and conclusions based on our audit objective.

FINDING AND RECOMMENDATION

For all 88 payments reviewed, the 10 hospitals billed National Government Services for the incorrect number of service units of oxaliplatin. As a result, the hospitals received overpayments totaling $2,216,783 during CYs 2004 and 2005. These overpayments occurred primarily because the hospitals did not update their 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. 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.

INCORRECT NUMBER OF SERVICE UNITS BILLED

During CYs 2004 and 2005, the 10 hospitals billed National Government Services for the incorrect number of service units on all 88 claims reviewed and, as a result, received overpayments totaling $2,216,783:

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4Although 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 that code for oxaliplatin for services furnished in 2004 and 2005 (68 Fed. Reg. 63398, 63488 (Nov. 7, 2003); 69 Fed. Reg. 65682, 66104 (Nov. 15, 2004)).

5CMS 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.
• For 87 overpayments totaling $2,211,974, hospitals billed 10 times the correct number of service units for oxaliplatin furnished to Medicare beneficiaries. Rather than billing one service unit for every 5 milligrams of oxaliplatin administered, as Medicare required, hospitals billed one service unit for every 0.5 milligrams administered. Hospital officials stated that they had not updated their systems to accommodate the billing change required by CMS Transmittal A-03-051.

• For one overpayment totaling $4,809, a hospital incorrectly billed for 110 instead of the correct 52 units of oxaliplatin because of a clerical error.

RECOMMENDATION

We recommend that National Government Services recover the $2,216,783 in overpayments to hospitals.

NATIONAL GOVERNMENT SERVICES COMMENTS

In written comments on our draft report, National Government Services agreed with our finding and recommendation and said that it had recouped all of the outstanding provider overpayments. National Government Services’ comments are included in their entirety as the Appendix.
APPENDIX
April 14, 2009

Mr. Marc Gustafson  
Office of Audit Services  
233 North Michigan Avenue  
Chicago, Illinois 60601


Dear Mr. Gustafson:

This letter is in response to the draft report dated March 18, 2009, entitled “Review of Oxaliplatin Claims Processed by National Government Services for Calendar Years 2004 and 2005.”

Oxaliplatin is a chemotherapy drug used to treat colorectal cancer. During calendar years 2004 and 2005, Medicare required hospital outpatient departments to bill one service unit for every 5 milligrams of Oxaliplatin administered. Prior to July 2003, Medicare required billing one service unit for every 0.5 milligrams administered.

According to your findings, of the 88 payments reviewed, 10 hospitals billed National Government Services incorrect number of units for Oxaliplatin. As a result, these hospitals received overpayments totaling $2,216,783 during this period. These overpayments occurred primarily because the hospitals failed to update their systems following a change in Medicare billing guidance. Your recommendation is that National Government Services recover the overpayments received by these hospitals.
In response to your findings and recommendation, National Government Services agrees with your findings and as of 1/14/09 NGS has recouped all of the outstanding provider overpayments totaling $2,216,783, as a result of the 88 claims that were incorrectly billed. If you have any additional questions, please contact Sandra Logan at 513-419-3746.

Sincerely,

[Signature]

Mr. David Crowley
Staff Vice President
Claims Management

cc: Sarah Litteral, Part A/RHII Claims Director,
    Scott Kimbell, J13 Project Director,
    Sandra Logan, Claims Manager