DEPARTMENT OF HEALTH & HUMAN SERVICES **Office of Inspector General**

Office of Audit Services, Region IX
90 – 7th Street, Suite 3-650
San Francisco, CA 94103

November 28, 2011

Report Number: A-09-11-02058

Mr. Scott Olander
Chief Financial Officer
Yakima Valley Memorial Hospital
2811 Tieton Drive
Yakima, WA 98902

Dear Mr. Olander:

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 Yakima Valley 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-09-11-02058 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 235
Kansas City, MO 64106

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF MEDICARE OUTPATIENT BILLING FOR SELECTED DRUGS AT YAKIMA VALLEY MEMORIAL HOSPITAL

Daniel R. Levinson
Inspector General

November 2011
A-09-11-02058

Office of Inspector General

http://oig.hhs.gov

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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 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.

Yakima Valley Memorial Hospital (Yakima Valley) is a private not-for-profit hospital located in Yakima, Washington. Based on data analysis, we reviewed $87,781 in Medicare payments to Yakima Valley for 19 line items for injections of selected drugs that Yakima Valley billed to Medicare during our audit period (April 1, 2008, through February 28, 2011). These line items consisted of injections for pemetrexed, immune globulin, alpha 1–proteinase inhibitor, alteplase, infliximab, bortezomib, adenosine, and epoetin alfa.

OBJECTIVE

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

SUMMARY OF FINDINGS

For 6 of the 19 line items reviewed, Yakima Valley did not bill Medicare in accordance with Federal requirements:

- For four line items, Yakima Valley billed the incorrect number of units of service.
- For one line item, Yakima Valley used the HCPCS code for administration of one of the selected drugs even though a different drug was administered.
- For one line item, Yakima Valley billed for a drug that was not administered.

As a result, Yakima Valley received overpayments totaling $9,688. Yakima Valley attributed the overpayments to its billing system and human error.

RECOMMENDATIONS

We recommend that Yakima Valley:

- refund to the Medicare fiscal intermediary $9,688 in identified overpayments and
- ensure compliance with Medicare billing requirements.

YAKIMA VALLEY MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, Yakima Valley provided information on actions that it had taken to ensure compliance with Medicare billing requirements. Regarding the finding for the one line item for the drug infliximab, Yakima Valley stated that it appropriately billed the copayment and deductible amount to Medicare as the secondary payer and that the Medicare fiscal intermediary should not have paid Yakima Valley for this line item. In addition, Yakima Valley stated that it billed the correct number of units; however, this claim was processed with the incorrect number of units because of a system change implemented by the Medicare fiscal intermediary.

Yakima Valley's comments are included in their entirety as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the additional information provided by Yakima Valley, we revised our report to reflect that Yakima Valley billed for the one line item for infliximab correctly but received an overpayment from the Medicare fiscal intermediary.

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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 pemetrexed, immune globulin, alpha 1–proteinase inhibitor, alteplase, infliximab, bortezomib, adenosine, and epoetin alfa.

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]."

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 J1561 and is described as "Injection, immune globulin, (gamunex), intravenous, non-lyophilized (e.g. liquid), 500 [milligrams]."

Alpha 1–Proteinase Inhibitor

Alpha 1–proteinase inhibitor is an injectable drug used to treat alpha 1–antitrypsin deficiency in people who have symptoms of emphysema. Medicare requires providers to bill one service unit for each 10-milligram injection of alpha 1–proteinase inhibitor. The HCPCS code for this drug is J0256 and is described as "Injection, alpha 1–proteinase inhibitor – human, 10 [milligrams]."

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

Alteplase

Alteplase is an injectable drug used to dissolve blood clots that have formed in the blood vessels and is used immediately after symptoms of a heart attack or stroke and to treat blood clots in the lungs. Medicare requires providers to bill one service unit for each 1-milligram injection of alteplase. The HCPCS code for this drug is J2997 and is described as "Injection, alteplase recombinant, 1 [milligram]."

Infliximab

Infliximab is an injectable drug used to treat rheumatoid and psoriatic arthritis, ulcerative colitis, Crohn's disease, and ankylosing spondylitis. Medicare requires providers to bill one service unit for each 10-milligram injection of infliximab. The HCPCS code for this drug is J1745 and is described as "Injection infliximab, 10 [milligrams]."

Bortezomib

Bortezomib is an injectable drug used to treat multiple myeloma and mantle cell lymphoma. Medicare requires providers to bill one service unit for each 0.1-milligram injection of bortezomib. The HCPCS code for this drug is J9041 and is described as "Injection, bortezomib, 0.1 [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]."

Epoetin Alfa

Epoetin alfa is an injectable drug used to treat anemia. Medicare requires providers to bill one service unit for each 1,000 units of epoetin alfa. The HCPCS code for this drug is J0885 and is described as "Injection, epoetin alfa, (for non-esrd [end-stage renal disease] use), 1000 units."

Yakima Valley Memorial Hospital

Yakima Valley Memorial Hospital (Yakima Valley) is a private not-for-profit hospital located in Yakima, Washington. Yakima Valley's claims are processed and paid by Noridian Administrative Services, LLC (Noridian), the Medicare Part A fiscal intermediary.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

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

Scope

We reviewed $87,781 in Medicare payments to Yakima Valley for 19 line items that we judgmentally selected as potentially at risk for billing errors during our audit period (April 1, 2008, through February 28, 2011). These line items consisted of:

- 10 line items for pemetrexed totaling $60,433,[2]
- 1 line item for immune globulin totaling $8,475,[3]
- 1 line item for alpha 1–proteinase inhibitor totaling $6,095,
- 2 line items for alteplase totaling $4,976,[4]
- 1 line item for infliximab totaling $2,902,
- 1 line item for bortezomib totaling $1,961,
- 2 line items for adenosine totaling $1,497, and
- 1 line item for epoetin alfa totaling $1,442.

We identified these payments through data analysis.

We did not review Yakima Valley's internal controls applicable to the 19 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.

We conducted our audit from April to September 2011. Our fieldwork including contacting Yakima Valley, located in Yakima, Washington.

[2] For the 10 line items for pemetrexed, Yakima Valley billed Medicare in accordance with Federal requirements.

[3] For the one line item for immune globulin, Yakima Valley billed Medicare in accordance with Federal requirements.

[4] For one line item for alteplase, Yakima Valley billed Medicare in accordance with Federal requirements.

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 pemetrexed, immune globulin, alpha 1–proteinase inhibitor, alteplase, infliximab, bortezomib, adenosine, and epoetin alfa 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 19 line items totaling $87,781 that Medicare paid to Yakima Valley;
- contacted Yakima Valley to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that Yakima Valley furnished to verify whether each selected line item was billed correctly;
- calculated overpayments using corrected payment information processed by Noridian; and
- discussed the results of our review with Yakima Valley.

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 6 of the 19 line items reviewed, Yakima Valley did not bill Medicare in accordance with Federal requirements:

- For four line items, Yakima Valley billed the incorrect number of units of service.
- For one line item, Yakima Valley used the HCPCS code for administration of one of the selected drugs even though a different drug was administered.
- For one line item, Yakima Valley billed for a drug that was not administered.

As a result, Yakima Valley received overpayments totaling $9,688. Yakima Valley attributed the overpayments to its billing system and human 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 four line items reviewed, Yakima Valley billed Medicare for the incorrect number of units of service:[5]

- For the one line item for alpha 1–proteinase inhibitor, Yakima Valley billed the incorrect number of units of service. Rather than billing 648 service units, Yakima Valley billed 1,943 service units. The incorrect billing resulted in an overpayment of $4,182.

- For the one line item for bortezomib, Yakima Valley billed the incorrect number of units of service. Rather than billing 35 service units, Yakima Valley billed 70 service units. The incorrect billing resulted in an overpayment of $980.

For the one line item for epoetin alfa, Yakima Valley billed Medicare using the HCPCS code for the administration of epoetin alfa rather than using the HCPCS code for the administration of darbepoetin alfa, the drug actually administered. The incorrect billing resulted in an overpayment of $971.

[5] For one line item each for alteplase and adenosine, Yakima Valley billed Medicare for the incorrect number of units of service, resulting in an immaterial overpayment.

For one line item for adenosine, Yakima Valley billed Medicare for 12 units of adenosine that was not administered, resulting in an overpayment of $653.

In total, Yakima Valley received overpayments of $9,688.[6] Yakima Valley attributed the overpayments to its billing system and human error.

RECOMMENDATIONS

We recommend that Yakima Valley:

- refund to the Medicare fiscal intermediary $9,688 in identified overpayments and
- ensure compliance with Medicare billing requirements.

YAKIMA VALLEY MEMORIAL HOSPITAL COMMENTS

In written comments on our draft report, Yakima Valley provided information on actions that it had taken to ensure compliance with Medicare billing requirements. Regarding the finding for the one line item for infliximab, Yakima Valley stated that it appropriately billed the copayment and deductible amount to Medicare as the secondary payer and that the Medicare fiscal intermediary should not have paid Yakima Valley for this line item. In addition, Yakima Valley stated that it billed the correct number of units; however, this claim was processed with the incorrect number of units because of a system change implemented by the Medicare fiscal intermediary.

Yakima Valley's comments are included in their entirety as the Appendix.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the additional information provided by Yakima Valley, we revised our report to reflect that Yakima Valley correctly billed the one line item for infliximab but received an overpayment from the Medicare fiscal intermediary.

[6] The total overpayment amount of $9,688 includes an overpayment of $2,902 in which the Medicare fiscal intermediary incorrectly paid Yakima Valley for the one line item for infliximab. Yakima Valley billed Medicare in accordance with Federal requirements.

APPENDIX

APPENDIX: YAKIMA VALLEY MEMORIAL HOSPITAL COMMENTS

November 4, 2011

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

RE: Report Number A-09-11-02058

Dear Ms. Ahlstrand,

This letter is in response to the draft report entitled *Review of Medicare Outpatient Billing for Selected Drugs at Yakima Valley Memorial Hospital.* Your audit areas for correction and your recommendations are for Yakima Valley Memorial Hospital to refund $9,688 to the Medicare fiscal intermediary and to ensure compliance with Medicare billing requirements.

- For five line items Yakima Valley Memorial Hospital billed with an incorrect number of units of service.
  - Regarding the billing of an incorrect number of units of service for alpha 1-proteinase inhibitor, bortezomib, alteplase and adenosine: Yakima Valley Memorial Hospital has established a process to eliminate duplicate billing of medications. A charge analysis report will be run daily showing the previous day's charges. The report will be exported to Excel where it can be sorted in various ways for review. The review will be done by patient and charges posted for the patient that day. This will show any charges that are listed more than once per patient.
  - Regarding the billing of an incorrect number of units of service for infliximab: This error was not an issue with Yakima Valley Memorial Hospital billing. Yakima Valley Memorial Hospital billed the insurance company and then we billed the copay/deductible to Medicare as the secondary payer. On the UB, we showed what the insurance paid. We do not know what Medicare would pay as do not run claims through an OPPS APC pricer. I believe we are to bill the secondary payer regardless of if there is a balance, and if there is nothing to pay, that should be shown as a contractual on the remittance. In this case, Medicare should have sent zero payment. We billed the correct 50 units, but Noridian had a computer problem that was adding a zero to the units, so Noridian processed the claim at 500 units. Noridian sent out a memo stating they had identified their error and were reprocessing claims at the correct units, but this claim was missed.

- For one line item, Yakima Valley used the HCPCS code for administration of a selected drug even though a different drug was administered.
  - This error was due to the billing clerk manually entering the HCPCS with a modifier and adding the incorrect HCPCS. Our system is now set up with the appropriate modifier to be applied to the charge at time of charge entry so that our billing department does not manually enter this information.
- For one line item, Yakima Valley billed for a drug that was not administered.
  - This error was due to a drug not being credited. Our normal charging process for medications occurs upon administration to the patient. This occurs when the barcode is scanned. This process is in place throughout the hospital, with the exception of three areas that do not have the barcode scanning technology. These units are ER, OR, and Cath Lab. For these areas, charging is done upon dispense from the pharmacy. If the medication is not given and returned to pharmacy, the charge should be reversed. Since close to 100% of our dispenses are charged via barcode scanning, it is possible that the charge reversal was missed due to the extremely low frequency of occurrence. To remedy this situation, we are creating a label to place on medications that are sent to these units. The label will state "Non-MAK unit – Credit if returned." This will allow the pharmacy staff to identify the need to enter the credit.

We appreciate the opportunity to comment on this draft report. If you have further questions, Please feel free to contact me at (509) 249-5201 or by email at ScottOlander@yvmh.org.

Thank you,

Scott Olander

Scott Olander
Vice President / CFO

SO/jg