



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**



OFFICE OF AUDIT SERVICES, REGION IX  
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SAN FRANCISCO, CA 94103

April 13, 2012

Report Number: A-09-12-02008

Ms. Karen Wilson  
Executive Director  
University of Utah Hospitals and Clinics  
650 Komas Drive, Suite 205  
Salt Lake City, UT 84108

Dear Ms. Wilson:

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 University of Utah Hospitals and Clinics*. 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](mailto:Iman.Zbinden@oig.hhs.gov), or contact Alice Norwood, Audit Manager, at (415) 437-8360 or through email at [Alice.Norwood@oig.hhs.gov](mailto:Alice.Norwood@oig.hhs.gov). Please refer to report number A-09-12-02008 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 12<sup>th</sup> Street, Room 235  
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Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF MEDICARE  
OUTPATIENT BILLING FOR  
SELECTED DRUGS AT  
UNIVERSITY OF UTAH  
HOSPITALS AND CLINICS**



Daniel R. Levinson  
Inspector General

April 2012  
A-09-12-02008

# *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.

University of Utah Hospitals and Clinics (University of Utah) is an acute-care hospital located in Salt Lake City, Utah. Based on data analysis, we reviewed \$356,970 in Medicare payments to University of Utah for 110 line items for injections of selected drugs that University of Utah billed to Medicare during our audit period (January 1, 2008, through April 30, 2011). These line items consisted of injections for infliximab, rituximab, doxorubicin hydrochloride liposome, bortezomib, pemetrexed, alteplase, and epoetin alfa.

### **OBJECTIVE**

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

### **SUMMARY OF FINDINGS**

Of the 110 line items reviewed, 39 were billed correctly. For 52 line items, University of Utah refunded overpayments totaling \$53,500 before our fieldwork. For the 19 remaining line items, University of Utah did not bill Medicare in accordance with Federal requirements and received overpayments totaling \$77,201, which University of Utah had not refunded by the beginning of our audit:

- For 16 line items, University of Utah billed the incorrect number of units of service.
- For two line items, University of Utah billed for drugs that were not administered.
- For one line item, University of Utah billed for an unallowable service.

University of Utah attributed the overpayments to clerical and billing system errors.

## **RECOMMENDATIONS**

We recommend that University of Utah:

- refund to the Medicare administrative contractor \$77,201 in identified overpayments and
- ensure compliance with Medicare billing requirements.

## **UNIVERSITY OF UTAH COMMENTS**

In written comments on our draft report, University of Utah concurred with our recommendations and provided information on actions that it had taken to address the recommendations. University of Utah'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.<sup>1</sup>

### Selected Drugs

The drugs we reviewed in this audit were infliximab, rituximab, doxorubicin hydrochloride (HCl) liposome, bortezomib, pemetrexed, alteplase, and epoetin alfa.

#### *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]."

#### *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]."

#### *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]."

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<sup>1</sup> HCPCS codes are used throughout the health care industry to standardize coding for medical procedures, services, products, and supplies.

### *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].”

### *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].”

### *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].”

### *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.”

## **University of Utah Hospitals and Clinics**

University of Utah Hospitals and Clinics (University of Utah) is an acute-care hospital located in Salt Lake City, Utah. University of Utah’s claims are processed and paid by Noridian Administrative Services, LLC (Noridian), the Medicare administrative contractor.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

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

### **Scope**

We reviewed \$356,970 in Medicare payments to University of Utah for 110 line items that we judgmentally selected as potentially at risk for billing errors during our audit period (January 1, 2008, through April 30, 2011). These line items consisted of:

- 31 line items for infliximab totaling \$161,411,<sup>2</sup>
- 8 line items for rituximab totaling \$89,262,<sup>3</sup>
- 52 line items for doxorubicin HCl liposome totaling \$53,500,
- 14 line items for bortezomib totaling \$24,616,
- 3 line items for pemetrexed totaling \$21,545,<sup>4</sup>
- 1 line item for alteplase totaling \$5,485, and
- 1 line item for epoetin alfa totaling \$1,151.

We identified these payments through data analysis.

We did not review University of Utah's internal controls applicable to the 110 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 May 2011 to February 2012. Our fieldwork included contacting University of Utah, located in Salt Lake City, Utah.

## **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 infliximab, rituximab, doxorubicin HCl liposome, bortezomib, pemetrexed, alteplase, 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 110 line items totaling \$356,970 that Medicare paid to University of Utah;

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<sup>2</sup> For 30 line items for infliximab, University of Utah billed Medicare in accordance with Federal requirements.

<sup>3</sup> For six line items for rituximab, University of Utah billed Medicare in accordance with Federal requirements.

<sup>4</sup> For the three line items for pemetrexed, University of Utah billed Medicare in accordance with Federal requirements.

- contacted University of Utah to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that University of Utah 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 University of Utah.

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**

Of the 110 line items reviewed, 39 were billed correctly. For 52 line items, University of Utah refunded overpayments totaling \$53,500 before our fieldwork. For the 19 remaining line items, University of Utah did not bill Medicare in accordance with Federal requirements and received overpayments totaling \$77,201, which University of Utah had not refunded by the beginning of our audit:

- For 16 line items, University of Utah billed the incorrect number of units of service.
- For two line items, University of Utah billed for drugs that were not administered.
- For one line item, University of Utah billed for an unallowable service.

University of Utah attributed the overpayments to clerical and billing system 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 16 line items reviewed, University of Utah billed Medicare for the incorrect number of units of service:

- For two line items for rituximab, University of Utah billed the incorrect number of units of service. Rather than billing 8 and 10 service units, University of Utah billed 80 and 20 service units, respectively. The incorrect billing resulted in overpayments totaling \$47,868.
- For 13 line items for bortezomib, University of Utah billed the incorrect number of units of service. Rather than billing from 13 to 26 service units, University of Utah billed from 36 to 70 service units. The incorrect billing resulted in overpayments totaling \$16,910.
- For the one line item for epoetin alfa, University of Utah billed the incorrect number of units of service. Rather than billing 80 service units, University of Utah billed 160 service units. The incorrect billing resulted in an overpayment of \$575.

For two line items reviewed, University of Utah billed Medicare for drugs that were not administered:

- For the one line item for alteplase, University of Utah billed for 200 units of alteplase that was not administered, resulting in an overpayment of \$5,485.
- For one line item for bortezomib, University of Utah billed for 40 units of bortezomib that was not administered, resulting in an overpayment of \$1,139.

For one line item for infliximab, University of Utah billed Medicare for 110 units of infliximab that was actually administered. However, University of Utah determined that the payment for this line item was unallowable because the physician’s order expired 1 week prior to administration. The incorrect billing resulted in an overpayment of \$5,224.

In total, University of Utah received overpayments of \$77,201. University of Utah attributed the overpayments to clerical and billing system errors.

## **RECOMMENDATIONS**

We recommend that University of Utah:

- refund to the Medicare administrative contractor \$77,201 in identified overpayments and
- ensure compliance with Medicare billing requirements.

## **UNIVERSITY OF UTAH COMMENTS**

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

# **APPENDIX**

## APPENDIX: UNIVERSITY OF UTAH COMMENTS



March 8, 2012

Via Certified Mail

Lori A. Alstrand  
HHS/OIG/OAS  
90-7<sup>th</sup> Street  
Suite 3-650  
San Francisco, CA 94103

RE: University of Utah Health Care  
Provider No. 460009  
Report Number: A-09-12-02008

Dear Ms. Ahlstrand:

The University of Utah appreciates the opportunity to respond to the Department of Health and Human Services, Office of Inspector General ("OIG") draft report titled "Review of Medicare Billing for Selected Drugs at University of Utah Hospitals and Clinics."

The draft report recommends that the University refund identified overpayments, and that the University ensure compliance with Medicare billing requirements. The University concurs with the recommendations and has already refunded identified overpayments and taken steps to prevent similar errors from occurring in the future.

### Background

In May of 2011, the University received a letter from the OIG's Office of Audit Services ("OAS") requesting a self-review of 97 specified line items. As noted in the draft report, OAS selected the line items for review after determining that the line items were "potentially at risk for billing errors" during the audit period (January 1, 2008, through April 30, 2011).

The University conducted the requested self-review and submitted its results to OAS in May of 2011. Later, in July of 2011, the University received another letter from OAS requesting that the University self-review an additional 13 line items identified by the OAS. The University supplied OAS with the results of the additional review in May of 2011.

### Concurrence with the Report's Recommendations

The conclusions reached in the OIG draft report are consistent with the conclusions reached by the University through its management of the requested self-reviews. The draft report makes two recommendations, with which the University concurs, as discussed more fully below.

*Recommendation 1: "refund to the Medicare administrative contractor \$77,201 in identified overpayments."*

The University concurs with this recommendation. As noted in the draft report, the University refunded identified overpayments associated with 52 reviewed line items prior to the conduct of OAS fieldwork. The University has now refunded the additional overpayments associated with the remaining 19 line items and has

provided OAS with documentation of the refund. The University has now refunded all overpayments identified through the course of this review. The University will continue to perform retrospective audits where deemed necessary, as well as continue to look at concurrent claims so as to provide concurrent feedback education to those responsible for billing.

*Recommendation 2: "ensure compliance with Medicare billing requirements."*

The University concurs with this recommendation. Since the time period covered by this review, the University has continued its efforts to educate employees about the use of HCPCS codes and was able to implement changes to information technology systems to assist with efforts to ensure proper unit billing. Specifically, the University has spent time and resources training members of the Pharmacy staff in coding essentials and billing practices. There are regularly scheduled internal audits to ensure proper billing practices, and in order to provide concurrent education and feedback. The Compliance Office, in conjunction with the Pharmacy, ran a complete audit of the Chargemaster in order to eliminate superfluous charge codes which may not comply with Medicare billing requirements.

Conclusion

The University is committed to serving the public by improving health and quality of life through excellence in education, research, and clinical care. In conjunction with the operations of its health care practice, the University supports and maintains an active compliance program. As part of its compliance efforts, the University monitors and educates its staff and personnel on various issues, including billing and coding matters. The University believes that it has made all necessary payment adjustments. Further, the University has implemented appropriate corrective action as discussed above. We are pleased to have this matter closed and appreciate your assistance and your support of our mission and compliance efforts.

Sincerely,



Karen K. Wilson, MA  
Executive Director  
University Healthcare Billing Compliance

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CC:  
Richard Sperry, M.D., Ph.D.  
Associate Vice President for Health Sciences  
Academic and Clinical Affairs  
Matheson Presidential Endowed Chair  
Health Policy and Management

Gordon Crabtree, M.B.A.  
Chief Financial Officer