

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF MEDICARE  
OUTPATIENT BILLING FOR  
SELECTED DRUGS AT  
SELF REGIONAL HEALTHCARE**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



**Lori A. Ahlstrand  
Regional Inspector General**

**August 2012  
A-09-12-02032**

# *Office of Inspector General*

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## **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.

Self Regional Healthcare (Self Regional) is an acute-care hospital located in Greenwood, South Carolina. Based on data analysis, we reviewed \$138,399 in Medicare payments to Self Regional for 61 line items for injections of selected drugs that Self Regional billed to Medicare during our audit period (January 1, 2008, through April 30, 2011). These line items consisted of injections for paclitaxel, rituximab, baclofen, and bortezomib.

### **OBJECTIVE**

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

### **SUMMARY OF FINDINGS**

For the 61 line items reviewed, Self Regional did not bill Medicare in accordance with Federal requirements. Specifically, Self Regional billed the incorrect number of units of service. As a result, Self Regional received overpayments totaling \$130,290. Self Regional attributed the overpayments to billing system and clerical errors.

### **RECOMMENDATIONS**

We recommend that Self Regional:

- refund to the Medicare administrative contractor \$130,290 in identified overpayments and
- ensure compliance with Medicare billing requirements.

## **SELF REGIONAL HEALTHCARE COMMENTS**

In written comments on our draft report, Self Regional concurred with our recommendations and provided information on actions that it had taken or planned to take to address the recommendations. Self Regional'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 paclitaxel, rituximab, baclofen, and bortezomib.

##### *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]."

##### *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]."

##### *Baclofen*

Baclofen is an injectable drug used both as a muscle relaxer and to treat muscle symptoms caused by multiple sclerosis, including spasm, pain, and stiffness. Medicare requires providers to bill one service unit for each 10-milligram injection of baclofen. The HCPCS code for this drug is J0475 and is described as "Injection, baclofen, 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].”

### **Self Regional Healthcare**

Self Regional Healthcare (Self Regional) is an acute-care hospital located in Greenwood, South Carolina. Self Regional’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 Self Regional billed Medicare for injections of selected drugs in accordance with Federal requirements.

### **Scope**

We reviewed \$138,399 in Medicare payments to Self Regional for 61 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:

- 58 line items for paclitaxel totaling \$126,670,
- 1 line item for rituximab totaling \$7,067,
- 1 line item for baclofen totaling \$2,561, and
- 1 line item for bortezomib totaling \$2,101.

We identified these payments through data analysis.

We did not review Self Regional’s internal controls applicable to the 61 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 Self Regional, located in Greenwood, South Carolina.

## **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 paclitaxel, rituximab, baclofen, and bortezomib 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 61 line items totaling \$138,399 that Medicare paid to Self Regional;
- contacted Self Regional to determine whether the information conveyed in the selected line items was correct and, if not, why the information was incorrect;
- reviewed documentation that Self Regional 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 Self Regional.

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 61 line items reviewed, Self Regional did not bill Medicare in accordance with Federal requirements. Specifically, Self Regional billed the incorrect number of units of service. As a result, Self Regional received overpayments totaling \$130,290. Self Regional 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 the 61 line items reviewed, Self Regional billed Medicare for the incorrect number of units of service:

- For the 58 line items for paclitaxel, Self Regional billed the incorrect number of units of service. Rather than billing from 3 to 17 service units, Self Regional billed from 150 to 850 service units. The incorrect billing resulted in overpayments totaling \$124,117.
- For the one line item for rituximab, Self Regional billed the incorrect number of units of service. Rather than billing 8 service units, Self Regional billed 16 service units. The incorrect billing resulted in an overpayment of \$3,842.
- For the one line item for baclofen, Self Regional billed the incorrect number of units of service. Rather than billing 8 service units, Self Regional billed 16 service units. The incorrect billing resulted in an overpayment of \$1,280.
- For the one line item for bortezomib, Self Regional billed the incorrect number of units of service. Rather than billing 35 service units, Self Regional billed 70 service units. The incorrect billing resulted in an overpayment of \$1,051.

In total, Self Regional received overpayments of \$130,290. Self Regional attributed the overpayments to billing system and clerical errors.

## **RECOMMENDATIONS**

We recommend that Self Regional:

- refund to the Medicare administrative contractor \$130,290 in identified overpayments and
- ensure compliance with Medicare billing requirements.

## **SELF REGIONAL HEALTHCARE COMMENTS**

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

# **APPENDIX**

**APPENDIX: SELF REGIONAL HEALTHCARE COMMENTS**

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May 31, 2012

Report Number: A-09-12-02032

Ms. Lori Ahlstrand  
Department of Health and Human Services  
Office of Inspector General  
Office of Audit Services, Region IX  
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San Francisco, California 94103

Dear Ms. Ahlstrand,

This letter is in response to your draft report dated May 25, 2012 entitled Review of Medicare Outpatient Billing for Selected Drugs at Self Regional Healthcare. Of the sixty-one line items reviewed for injections of selected drugs during the audit period of January 1, 2008 through April 30, 2011, Self Regional Healthcare has refunded all items based on your fieldwork as confirmed by Palmetto GBA, LLC, the Medicare administrative contractor for Self Regional Healthcare.

The conclusions reached in the Office of Inspector General's draft report are consistent with the conclusions reached by Self Regional Healthcare through conducting a self review audit. The draft report makes two recommendations, with which Self Regional Healthcare concurs, as discussed below.

**OIG Recommendation #1**

Refund to the Medicaid administrative contractor \$130,290.00 in identified overpayments.

**Response of Self Regional Healthcare**

Self Regional Healthcare has refunded the overpayments of \$130,290.00.

**OIG Recommendation #2**

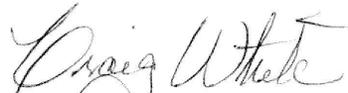
Ensure compliance with Medicare billing requirements

**Response of Self Regional Healthcare**

Self Regional Healthcare has and will continue to improve the process regarding the charging for the administration of medications. The Compliance Department and Pharmacy staff will continue to work together to improve the education of team members about the use of HCPCS codes and develop internal controls to prevent future errors.

We appreciate the opportunity to respond to this draft report. Should there be further questions, please contact Craig White, Vice president of Corporate Compliance, Internal Audit, and Government Affairs at (864) 725-5046 or at [cwhite@selfregional.org](mailto:cwhite@selfregional.org).

Sincerely,



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