Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

THE MEDICARE CONTRACTOR FOR JURISDICTION 1 OVERPAID A PROVIDER THAT INCORRECTLY BILLED FOR AFLIBERCEPT

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

Patricia Wheeler
Regional Inspector General
for Audit Services

June 2015
A-06-14-00055

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.

INTRODUCTION

The Medicare contractor for Jurisdiction 1 overpaid $706,589 to a provider that incorrectly billed for aflibercept.

WHY WE DID THIS REVIEW

The Centers for Medicare & Medicaid Services (CMS) pays Medicare claims through a Medicare administrative contractor (Medicare contractor) in each Medicare jurisdiction. Previous Office of Inspector General reviews have identified Medicare payments for outpatient drugs as vulnerable to incorrect coding.

OBJECTIVE

Our objective was to determine whether certain payments that the Medicare contractor for Jurisdiction 1 made to a provider for aflibercept were correct.

BACKGROUND

Medicare Part B

Part B of Medicare provides supplementary medical insurance, including limited coverage for the cost of outpatient drugs and biologicals that are furnished incident to a physician's service and are not usually self-administered.[1] CMS administers Part B and contracts with Medicare contractors to, among other things, determine reimbursement amounts and pay claims, conduct reviews and audits, and safeguard against fraud and abuse. Medicare contractors must establish and maintain efficient and effective internal controls.[2]

Healthcare Common Procedure Coding System Codes

Medicare contractors pay providers using established rates for each hospital outpatient unit of service claimed, subject to any Part B deductible and coinsurance. Each submitted claim may contain multiple line items that detail most provided services. Providers must use standardized codes, called Healthcare Common Procedure Coding System (HCPCS) codes, for drugs administered and report units of service in multiples of the units shown in the HCPCS narrative description. For example, if the description for the HCPCS code specifies 50 milligrams (mg) and 200 mg are administered, units are shown as four on the claim.

Palmetto GBA and Noridian Healthcare Solutions, LLC

During most of our audit period (July 1, 2012, through September 30, 2013), Palmetto GBA (GBA), was the Medicare contractor for Jurisdiction 1 (California, Hawaii, Nevada, American

[1] CMS *Medicare Benefit Policy Manual*, Pub. No. 100-02, chapter 15, section 50.

[2] CMS *Medicare Financial Management Manual*, Pub. No. 100-06, chapter 7, section 10.1.2.

Samoa, Guam, and the Northern Mariana Islands). Effective August 24, 2013, Noridian Healthcare Solutions, LLC (Noridian), became the Medicare contractor for Jurisdiction E, formerly Jurisdiction 1, and assumed responsibility for claims paid by GBA. Accordingly, we have addressed our finding and recommendation to Noridian for review and comment.

Aflibercept and Ziv-Aflibercept

Aflibercept is a drug used for the treatment of patients with age-related macular degeneration. Beginning July 2012, providers billed Medicare using HCPCS code Q2046 and then changed to J0178 effective January 2013. During our audit period, Medicare reimbursement was $980.50 per 1 mg of aflibercept administered.[3] The manufacturer recommended dose is 2 mg.

Ziv-aflibercept is a drug used in combination with other chemotherapy drugs to treat metastatic colorectal cancer. In August 2012, ziv-aflibercept became eligible for Medicare reimbursement but did not have an assigned HCPCS code. Beginning in January 2013, providers billed Medicare using HCPCS code C9296. During our audit period, Medicare reimbursement ranged from $15.57 to $11.10 per 1 mg administered.[4] The manufacturer recommended dose is 4 mg per 2.2 pounds of body weight; thus, 400 mg would be the recommended dose for a 220-pound person.

HOW WE CONDUCTED THIS REVIEW

During our audit period, the Medicare contractors for Jurisdiction 1 paid $6,579,851 in hospital outpatient services for 3,775 line items of aflibercept. We reviewed three line items, billed by one provider, with total payments of $717,331 for aflibercept (HCPCS codes Q2046 or J0178) paid by GBA with diagnosis codes other than macular degeneration and with unit counts that exceeded the recommended dose. We did not review entire claims; rather, we reviewed specific line items within the claims.

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 objectives.

Appendix A contains the details of our audit scope and methodology.

FINDING

Payments that the Medicare contractor for Jurisdiction 1 made to the provider for aflibercept for all three line items we reviewed were not correct. For all three line items, the provider billed an

[3] Medicare Part B Drug Average Sales Price files maintained by CMS. Available online at http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Part-B-Drugs/McrPartBDrugAvgSalesPrice/index.html. Accessed on March 6, 2015.

[4] *Ibid*

incorrect HCPCS code. The provider attributed the incorrect billings to human error. Noridian was unable to explain why GBA paid the claims. GBA paid the provider a total of $717,331; it should have paid $10,742, resulting in an overpayment of $706,589.

FEDERAL REQUIREMENTS

The Social Security Act (the Act) and CMS Pub. No. 100-04, *Medicare Claims Processing Manual* (the Manual), provide overall requirements related to the billing and payment of hospital outpatient services. They require that providers submit accurate and complete bills to Medicare for allowable and covered services and identify the number of units of service for each outpatient drug administered to a Medicare beneficiary using the correct HCPCS code.[5]

The Manual states that Medicare contractors must "edit for outpatient and inpatient Part B claims that meet or exceed a reimbursement amount of $50,000" (chapter 1, section 140.1). The section further notes that Medicare contractors must "suspend those claims receiving the threshold edit for development and contact providers to resolve billing errors." If a Medicare contractor determines that the reimbursement is excessive and corrections are required, the claim must be returned to the provider. If the billing is accurate and the reimbursement is not excessive, the Medicare contractor will override the edit and process the claim for payment.

INCORRECT HEALTHCARE COMMON PROCEDURE CODING SYSTEM CODE

The one provider billed the three line items using an incorrect HCPCS code. For all three line items, the provider administered ziv-aflibercept but billed for aflibercept. The provider attributed the incorrect billing to human error. Noridian could not explain why the threshold edit at GBA did not suspend the claims. As a result, GBA paid the provider a total of $717,331; it should have paid $10,742, an overpayment of $706,589.

RECOMMENDATION

We recommend that Noridian recover the $706,589 in identified overpayments.

NORIDIAN COMMENTS

In written comments on our draft report, Noridian stated that it concurred with our recommendation and has recovered the identified overpayments. Noridian's comments are included in their entirety as Appendix B.

[5] The Act, section 1833(e), and the Manual, chapter 17, section 90.2.A.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

For the period July 1, 2012, through September 30, 2013, we limited our review to determining whether the HCPCS codes submitted on selected outpatient claims that resulted in high-dollar Medicare payments for aflibercept were supported by providers' medical record documentation. We did not review entire claims; rather, we reviewed specific line items within the claims.

We limited our review of the provider's internal controls to those that were applicable to the selected payments because our objective did not require an understanding of all internal 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 our audit work from August 2014 through March 2015 by contacting the Medicare contractor, in North Dakota, and the provider, in California.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws and guidance;
- analyzed CMS's National Claims History file to identify high-dollar outpatient claims for aflibercept potentially at risk for noncompliance with selected Medicare billing requirements;
- reviewed available data for the selected claims to determine whether the claims had been cancelled or adjusted;
- identified three line items totaling $717,331 for aflibercept (HCPCS codes Q2046 or J0178) paid by the Medicare contractor and having diagnosis codes other than the one used for macular degeneration and unit counts that exceeded the recommended dose;
- contacted the provider to determine whether the HCPCS codes for the selected line items were correct and, if not, why the HCPCS codes were incorrect;
- requested that the provider review the patient medical records, specifically the physician orders and drug administration records, to verify whether each selected line item was billed correctly;
- coordinated the calculation of overpayments with the Medicare contractor; and
- discussed the results of our review with Medicare contractor officials.

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 objectives.

APPENDIX B: NORIDIAN COMMENTS

900 42nd Street South
Fargo, ND 58103

June 3, 2015

Patricia Wheeler, Regional Inspector General
Office of Inspector General – Office of Audit Services
1100 Commerce Street, Room 632
Dallas, TX 75242

Dear Ms. Wheeler:

Noridian Healthcare Solutions, LLC (Noridian) has reviewed the draft report, A-06-14-00055, entitled *The Medicare Contractor for Jurisdiction 1 Overpaid a Provider That Incorrectly Billed for Aflibercept.* As noted in the report, responsibilities for the work reviewed in this audit transitioned to Noridian in August 2013. Below are our comments and response to the OIG's recommendation.

Noridian would like to provide a comment regarding the requirement for Medicare contractors to "edit for outpatient and inpatient Part B claims that meet or exceed a reimbursement amount of $50,000" (IOM Pub 100-04, Chapter 1, Section 140.1). Noridian has confirmed that the standard system edits related to the threshold requirement are in place and functioning correctly.

OIG Recommendation: Noridian recover the $706,589 in identified overpayments.

Noridian Response: We concur and have recovered $706,589 as of September 29, 2014.

We appreciate the opportunity to comment on this report and the findings. If you have any questions on this response and Noridian's actions, please contact me at 701-277-2401.

Sincerely,

/s/ Paul O'Donnell

Paul O'Donnell,
Senior Vice President of Operations, JE Project Manager

* Office of Inspector General Note - The names of the persons sent a duplicate copy (cc) of the comments have been redacted from Noridian's comments because a name is personally identifiable information.

A CMS Medicare Administrative Contractor

Noridian Healthcare Solutions, LLC

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