

# 1199SEIU

United Healthcare Workers East  
Massachusetts Division

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Maria Castaneda

EXECUTIVE VICE PRESIDENT  
Mike Fadel

October 25, 2007

ASSISTANT DIVISION  
DIRECTOR  
Celia Wcislo

To: CareGroup Board of Directors  
BID-Needham Board of Directors  
BIDMC Board of Directors

VICE PRESIDENTS  
Enid Eckstein - at Large  
Jerry Fishbein  
Veronica Turner

RE: BID Needham Medicare Over Billing Concern

POLITICAL DIRECTOR  
Tim Foley

Dear Directors,

The 300,000 members of 1199 SEIU United Healthcare Workers East are committed to improving patient care as part of our mission to ensure comprehensive and affordable access to safe, high quality health care for all Massachusetts residents.

In order to protect the public interest and the interest of Beth Israel Deaconess – Needham (BID-Needham), we are writing to express our concern about what appears to be erroneous billing to the Medicare program for a particular chemotherapy drug, to ensure any resulting overpayment has been disclosed and returned, and to alert fiduciaries of the potential need for additional monitoring of internal financial controls.

BID-Needham appears to have used the wrong conversion factor in the calculation between dosage units and billing units, a mistake that the United States Health and Human Services Office of Inspector General (OIG) has noted in an audit of Nebraska Medicare contractor Chisholm Administrative Services. The BID-Needham incident is explained in detail below, and results in a potential overpayment of nearly half a million dollars.

The mistake occurred during a period when both internal and external review (from KPMG LLP, your auditor) assessed that BID-Needham's internal controls of accounting and finance needed improvement.<sup>1</sup> As you know from our previous communications about Beth Israel Deaconess's bad debt and charity care disclosures, we remain concerned that the financial controls and incumbent disclosure in CareGroup's audits are not as strong as required.

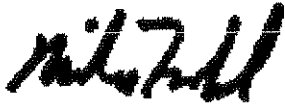
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<sup>1</sup> Letter of KPMG LLP to CareGroup, Inc. Board of Directors, January 10, 2006, page 7 "Beth Israel Deaconess Hospital-Needham (BIDH-Needham)"

We are bringing this issue to your attention for the Board to review and to determine the appropriate course of action. After your review of our concerns and if you concur with our analysis, we hope that BID-Needham will return the nearly half million dollars that we believe was inappropriately billed or confirm that the overpayment was remedied.

We would hope that you would agree with us that it is crucial to protect the assets of the Medicare Trust Fund.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Fadel". The signature is stylized and cursive.

Mike Fadel  
Executive Vice President

CC: Michael J. Armstrong, HHS Regional Inspector General for Audit Services  
Benefit Integrity Unit, Associated Hospital Service (Medicare Fiscal Intermediary)  
Benefit Integrity Service Center, NHIC (Medicare Fiscal Intermediary)  
KPMG (CareGroup's outside auditors)

## Analysis of BID Needham Medicare Over Billing Concern:

### **BID-Needham's billing to Medicare**

The OIG noted in a recent audit of a Nebraska Medicare contractor, Chisolm Administrative Services, that erroneous coding of units for Oxaliplatin, an injectable chemotherapy drug approved for the treatment of colon and other cancers, were billed to Medicare by a Nebraska hospital.<sup>2</sup> Through 2005, one billing unit of the drug should have been 5 mg, however the audited provider was using a 0.5 mg billing unit, a difference of a factor of ten. BID-Needham appears to have made the same error, resulting in approximately \$500,000 in overpayments in 2005.

The following chart shows all Massachusetts providers that had at least 12 claims for Oxaliplatin (HCPCS code C9205) in 2005. BID-Needham's average number of units per claim and payment per claim exceed the state average by a factor of ten. Further, their total payments for this drug, on only 15 claims, exceeds that of the Dana-Farber Cancer Institute which had over 18 times as many claims.

Hospital	Claims	Average units	Average Payment	Total Payments
<b>Beth Israel Deaconess - Needham</b>	<b>15</b>	<b>456.67</b>	<b>\$36,660.18</b>	<b>\$ 549,902.74</b>
Cape Cod Hospital	71	65.77	\$ 4,644.60	\$ 329,766.93
North Shore Medical Center	67	65.75	\$ 4,595.79	\$ 307,917.79
UMass Memorial Medical Center	20	59.50	\$ 4,004.91	\$ 80,098.29
Mary Lane Hospital Corporation	21	58.57	\$ 3,938.24	\$ 82,702.96
Franklin Medical Center	14	56.43	\$ 3,864.91	\$ 54,108.80
Baystate Medical Center	49	48.57	\$ 3,303.84	\$ 161,888.01
Jordan Hospital	30	46.50	\$ 3,088.29	\$ 92,648.60
Noble Hospital	20	46.50	\$ 3,338.30	\$ 66,765.98
Lowell General Hospital	25	43.28	\$ 2,965.61	\$ 74,140.20
<b>Statewide Average</b>	<b>1729</b>	<b>40.53</b>	<b>\$ 2,804.09</b>	<b>\$4,848,276.83</b>
Anna Jacques Hospital	25	39.20	\$ 2,751.39	\$ 68,784.68
Holyoke Hospital	31	38.39	\$ 2,564.27	\$ 79,492.36
Saint Vincent Hospital	14	38.00	\$ 2,552.49	\$ 35,734.79
Caritas Norwood	23	38.26	\$ 2,560.62	\$ 58,894.22
Sturdy Memorial Hospital	48	37.29	\$ 2,567.77	\$ 123,253.04
Southcoast Hospitals Group Inc	72	37.36	\$ 2,392.92	\$ 172,290.52
Hallmark Health System	38	35.00	\$ 2,373.93	\$ 90,209.45
St. Anne's Hospital	104	35.87	\$ 2,478.79	\$ 257,793.89
Beverly Hospital	23	34.78	\$ 2,316.56	\$ 53,280.89

<sup>2</sup> Department of Health and Human Services, Office of Inspector General "Review of Excessive Payments for Outpatient Services Processed by Chisholm Administrative Services in 2005" Daniel R. Levinson, Inspector General August 2007 A-06-07-00058. Both the Medicare Contractor and the hospital agreed that an overpayment had been made; the provider submitted an adjusted claim.

Caritas St. Elizabeth's Medical Center	66	33.33	\$ 2,217.76	\$ 146,372.46
Boston Medical Center	41	32.66	\$ 2,225.73	\$ 91,255.03
Beth Israel Deaconess Medical Center	58	31.66	\$ 2,177.84	\$ 126,314.90
Lahey Clinic Hospital Inc.	87	31.22	\$ 2,145.03	\$ 186,617.73
Saints Memorial Medical Center	20	30.10	\$ 2,065.82	\$ 41,316.30
Massachusetts General Hospital	339	28.51	\$ 1,919.36	\$ 650,664.43
Winchester Hospital	53	28.68	\$ 1,915.01	\$ 101,495.31
<b>Dana-Farber Cancer Institute</b>	<b>272</b>	<b>28.42</b>	<b>\$ 1,944.63</b>	<b>\$ 528,940.64</b>

(Data from Medicare Outpatient 100% SAF, obtained in 2007)

### Medicare Coding Instructions and BID-Needham's Chargemaster

The coding instructions for Oxaliplatin released in July 2003 clearly state that it is billed "per 5 mg."<sup>3</sup> This was stated again in February 2004 in a Medicare payment rate update.<sup>4</sup>

As you know, the hospital maintains a master list of all charges commonly referred to as a "chargemaster" and a short description of the billing. BID-Needham's chargemaster, like its Medicare billing, implies that hospital billed Oxaliplatin in 0.5 mg units, not the 5 mg unit required by Medicare. Compare BID-Needham's chargemaster description to that of other hospitals for which comparable data was available:

Hospital	Service ID	Description
BID-Needham	250913145	OXALIPLATIN 0.5 MG
Beth Israel Deaconess Medical Center	096000W849	INJ,OXALIPLATIN PER 5 MG
Boston Medical Center	12512658	INJ;OXALIPLATIN/5MG
Cambridge Health Alliance	P4725	OXALIPLATIN 5MG/ML
Lahey Clinic	1315C92050	RX OXALIPLATIN INJ PER 5MG
Mount Auburn	250678160	OXALIPLATIN INJ 5 MG
Newton Wellesley Hospital	6043	INJ OXALIPLATIN PER 5 MG

(FY 2005 Chargemasters obtained by Public Records request to Massachusetts Division of Health Care Finance and Policy)

Of Massachusetts hospitals examined, BID-Needham is the only hospital that lists the unit dosage at 0.5 mg, while many others—including its parent company and another hospital in its health system—use 5 mg. This is consistent with BID-Needham's erroneous Medicare billing.

### Monitoring BID-Needham's Internal Controls and other Corrective Action

BID-Needham took additional effort during FY 2006 to address prior accounting deficiencies, including additional account reconciliation and documentation.<sup>5</sup> It does not appear that these

<sup>3</sup> July 2003 Update of the Hospital Outpatient Prospective Payment System (OPPS) - CR 2771

<sup>4</sup> Payment Rate for Oxaliplatin (Eloxatin) under the Hospital Outpatient Prospective Payment System (OPPS) - JSM 50, February 5, 2004

steps were sufficient to detect the erroneous chemotherapy billing. The magnitude of this error is significant to BID-Needham's overall financial picture. Assuming that 90% of the payment received from Medicare is in error, BID-Needham received \$494,912.47 in overpayments. If BID-Needham were to remove this revenue it would more than triple its losses from operations over FY 2004 – 2006.<sup>6</sup>

If you concur with our analysis, we hope that the Board determines the appropriate course of action. We would recommend that if it has not already done so, BID-Needham should return the approximately \$500,000 overpayment from FY 2005, and further investigate if any additional overpayment was made in other periods, from patient co-pays or deductibles or from any other areas. We would also encourage Audit Committee members to further investigate if additional steps are necessary to ensure adequate financial controls.

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<sup>5</sup> Letter of KPMG LLP to CareGroup, Inc. Audit Committee, January 25, 2007, page 1 "Beth Israel Deaconess Hospital-Needham (BIDH-Needham)"

<sup>6</sup> Consolidating Statement of Operations, Beth Israel Deaconess Medical Center, Inc. and Subsidiaries, attached to Audited Financial Statements, September 30, 2006, 2005 and 2004. BID-Needham had \$362,000 in income from operations in 2004, a \$793,000 loss in 2005 and \$186,000 in income in 2006.