Memorandum

Date MAR 25 1996

From Michael Mangano for June Gibbs Brown
Inspector General

Subject Review of the Georgia Department of Medical Assistance's Reimbursement for Clinical Laboratory Services Under the Medicaid Program (A-04-95-01109)

To Bruce C. Vladeck
Administrator
Health Care Financing Administration

This memorandum alerts you to the issuance on March 26, 1996 of our final audit report to the Georgia Department of Medical Assistance concerning reimbursement for clinical laboratory services under the Medicaid program for Calendar Years (CY) 1993 and 1994. This report is part of our nationwide review of Medicaid payments for laboratory services. A copy is attached.

The purpose of our review was to determine the adequacy of procedures and controls over the processing of Medicaid payments to providers for clinical laboratory tests. Our review was limited to clinical laboratory services involving chemistry, hematology, and urinalysis tests.

Our review disclosed that the State agency does not have adequate edits in place to prevent the payment of unbundled or duplicated claims for certain laboratory services. As part of our audit, we developed a computer program that identified approximately $7.7 million of potential instances of unbundled or duplicated claims. Of the potentially unbundled/duplicated claims identified, we found 141 out of 150 sampled items were not paid correctly. We estimate that the State agency overpaid and should recover from providers $3,454,548 (Federal share $2,151,967) of the $7.7 million potential instances of unbundled/duplicated claims for chemistry, hematology, and urinalysis tests for CYs 1993 and 1994.

We are recommending that the State agency: (1) install edits to detect and prevent payments for unbundled services and billings which contain duplicative tests, (2) recover overpayments for clinical laboratory services identified in this review, and (3) make adjustments for the Federal share of the amounts recovered by the State agency on its Quarterly Report of Expenditures to the Health Care Financing Administration (HCFA).

We received a written response to our draft report from the State agency dated March 1, 1996 in which the State agency officials agreed with our recommendations.

In light of the error factor of unbundled/duplicated claims submitted to the State agency, we will be continuing our review to determine the possibility of questionable billing practices by providers. Our audit and investigative staffs will be working with HCFA staff and the State Medicaid Fraud Control Unit to identify instances of abuses.

Attachments

For further information, contact:
Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV
(404) 331-2446

Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF THE GEORGIA DEPARTMENT OF MEDICAL ASSISTANCE'S REIMBURSEMENT FOR CLINICAL LABORATORY SERVICES UNDER THE MEDICAID PROGRAM

JUNE GIBBS BROWN
Inspector General

MARCH 1996
A-04-95-01109

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
P O. BOX 2047
ATLANTA. GEORGIA 30301

CIN: A-04-95-01109

Ms. Marjorie P. Smith, Commissioner
Georgia Department of Medical Assistance
2 Peachtree Street, N.W.
Atlanta, Georgia 30303-3159

Dear Ms. Smith:

This report presents the results of our review of the Georgia Department of Medical Assistance's (State agency) reimbursement for clinical laboratory services under the Medicaid program for Calendar Years (CY) 1993 and 1994. The objective of our review was to determine the adequacy of procedures and controls over the processing of Medicaid payments to providers for clinical laboratory tests. Our review was limited to clinical laboratory services involving chemistry, hematology, and urinalysis tests.

We found that the State agency does not have adequate edits in place to prevent the payment of unbundled or duplicated claims for certain laboratory services. We estimate that the State agency overpaid providers $3,454,548 (Federal share $2,151,967) for chemistry, hematology, and urinalysis tests for CYs 1993 and 1994.

We are recommending that the State agency: (1) install edits to detect and prevent payments for unbundled services and billings which contain duplicative tests, (2) recover overpayments for clinical laboratory services identified in this review, and (3) make adjustments for the Federal share of the amounts recovered by the State agency on its Quarterly Report of Expenditures to the Health Care Financing Administration (HCFA).

We received a written response to our draft report from the State agency dated March 1, 1996 in which the State agency officials agreed with our recommendations. The full text of the State agency's response is contained in APPENDIX C.

INTRODUCTION

BACKGROUND

Within broad Federal guidelines, States design and administer the Medicaid program under the general oversight of HCFA. Claims processing is the responsibility of a designated Medicaid agency in each State. Many States use outside fiscal agents to process claims. Clinical laboratory services are covered under the Medicaid program.

Clinical laboratory services include chemistry, hematology, and urinalysis tests. Laboratory tests are performed on a patient's specimen to help physicians diagnose and treat ailments. The testing may be performed in a physicians office, a hospital laboratory, or by an independent laboratory.

Chemistry tests involve the measurement of various chemical levels in the blood. Chemistry tests frequently performed on automated equipment are grouped together and reimbursed at a panel rate. Chemistry tests are also combined under problem-oriented classifications (referred to as organ panels). Organ panels were developed for coding purposes and are to be used when all of the component tests are performed. Many of the component tests of organ panels are also chemistry panel tests.

Hematology tests are performed to count and measure blood cells and their content. Hematology tests that are grouped and performed on an automated basis are classified as profiles. Automated profiles include hematology component tests such as hematocrit, hemoglobin, red and white blood cell counts, platelet count, differential white blood cell counts, and a number of additional indices. Indices are measurements and ratios calculated from the results of hematology tests. Examples of indices are red blood cell width, red blood cell volume, and platelet volume.

Urinalysis tests involve physical, chemical or microscopic analysis, or examination of urine. Urinalysis tests involve the measurement of certain components of the sample. A urinalysis may be ordered by the physician as a complete test which includes a microscopy, a urinalysis without the microscopy, or the microscopy only.

The State Medicaid Manual, section 6300.1 states that Federal matching funds will not be available to the extent a State pays more for outpatient clinical laboratory tests performed by a physician, independent laboratory, or hospital than the amount Medicare recognizes for such tests. In addition, section 6300.2 states that payment for clinical laboratory tests under the Medicaid program cannot exceed the amount recognized by the Medicare program. Under Medicare, clinical laboratory services are reimbursed at the lower of the fee schedule amount or the actual charge. Under Medicare, the carrier (the contractor that administers Medicare payments to physicians and independent laboratories) maintains the fee schedule and provides it to the State Medicaid agency in its locality.

States may elect to participate in the HCFA Medicaid Statistical Information System (MSIS). The MSIS is operated by HCFA to collect Medicaid eligibility and claims data from participating States. States participating in MSIS provide HCFA with two quarterly computer files consisting of an eligibility and a paid claims files. The eligibility file contains specified data for persons covered by Medicaid and paid claims file contains adjudicated claims for medical services reimbursed by title XIX funds. We used the MSIS paid claims files for CYs 1993 and 1994 in conducting our audit.

SCOPE

The objective of our review was to determine the adequacy of procedures and controls over the processing of Medicaid payments to providers by the State agency for clinical laboratory services. Our review was limited to clinical laboratory services involving chemistry, hematology, and urinalysis tests.

To accomplish our objective, we:

- reviewed State agency policies and procedures for processing Medicaid claims from providers for clinical laboratory services.

- extracted from HCFA's MSIS, CYs 1993 and 1994 paid claims files, payments totaling $22,264,915 for chemistry, hematology, and urinalysis tests. Of this amount, $7,676,288 represented instances involving claims that contained potentially unbundled or duplicate charges for chemistry, hematology, and urinalysis tests (See APPENDICES A and B). We tested the reliability of computer generated output by comparing data to source documents for our sampled items. We did not, however, assess the completeness of data in HCFA's MSIS files nor did we evaluate the adequacy of the input controls.

- selected a stratified random sample of 150 instances. The sample consisted of three strata; chemistry, hematology, and urinalysis. We selected 50 instances involving chemistry claims from a population of 124,272 instances containing chemistry tests valued at $3,490,922; 50 instances involving hematology claims from a population of 190,707 instances containing hematology tests valued at $3,605,966; and 50 instances involving urinalysis claims from a population of 44,341 instances containing urinalysis tests valued at $579,400. These instances were taken from a universe of payments representing claims for more than one panel or for a panel and individual tests for the same recipient on the same date of service by the same provider. The sample of 150 instances was valued at $3,525.

- reviewed the randomly selected instances and supporting documentation from the State agency to determine the propriety of the payment.

- utilized a variable sample appraisal methodology to estimate the amount of overpayment for chemistry, hematology, and urinalysis tests.

Our review of internal controls was limited to an evaluation of that part of the claims processing function that related to the processing of claims for clinical laboratory services. Specifically, we reviewed State agency policies and procedures and instructions to providers related to the billing of clinical laboratory services. We also reviewed State agency documentation relating to manual and automated edits for bundling of chemistry and urinalysis tests and the detection of duplicate claims for both hematology and urinalysis tests.

We limited our review to claims paid by the State agency during CYs 1993 and 1994. Details of the methodology used in selecting and appraising the sample are contained in APPENDIX A to this report.

Our review was conducted in accordance with generally accepted government auditing standards. We performed our review between April and June 1995. During this period, we visited the State agency office in Atlanta, Georgia.

RESULTS OF REVIEW

The objective of our review was to determine the adequacy of procedures and controls over the processing of Medicaid payments to providers for clinical laboratory tests. Our review was limited to clinical laboratory services involving chemistry, hematology, and urinalysis tests.

We found that the State agency does not have adequate edits in place to prevent the payment of unbundled or duplicated claims for certain laboratory services. We estimate that the State agency overpaid providers $3,454,548 (Federal share $2,151,967) for chemistry, hematology, and urinalysis tests for CYs 1993 and 1994.

Our review disclosed that the State agency was reimbursing providers for laboratory services that were not properly grouped together (bundled into a panel) or were duplicated for payment purposes. Specifically, we found that the State agency does not have adequate edits in place to prevent the payment of unbundled or duplicated claims for certain laboratory services.

Using computer applications, we extracted paid claims applicable to chemistry, hematology, and urinalysis tests from HCFA's MSIS database for CYs 1993 and 1994. The MSIS database file contained a population of CYs 1993 and 1994 paid claims valued at $22,264,915 for all clinical laboratory services. This extract yielded a total of $7,676,288 in payments for chemistry panel tests, hematology profile tests, and urinalysis tests that showed a potential for unbundled or duplicated charges. This total consisted of 124,272 chemistry panel tests with a value of $3,490,922; 190,707 hematology tests valued at $3,605,966; and 44,341 urinalysis tests valued at $579,400. (See APPENDICES A and B)

We selected a stratified random sample of 150 instances (50 each for chemistry, hematology, and urinalysis) involving claims with potential payment errors from the sample population of CYs 1993 and 1994 paid claims file valued at $7,676,288. Each instance represented a potential payment error in which the State agency paid a provider for clinical laboratory tests (on behalf of the same recipient on the same date of service) that were unbundled or duplicated for certain laboratory services.

Chemistry Panel Tests

Our review of 50 instances involving claims containing unbundled charges for chemistry tests disclosed that 50 instances contained overpayments. These overpayments occur when providers submit claims for more than one different chemistry panel; a chemistry panel and at least one individual panel test; or two or more panel tests. The 50 instances were selected on a scientific random basis from a population of 124,272 instances involving claims containing potentially unbundled chemistry panel tests valued at $3,490,922. Based on our statistical sample, we estimate that the State agency overpaid providers $1,909,812 for unbundled or duplicated chemistry panel tests.

Section 5114.1.L.2 of the Medicare Carriers Manual states that if the carrier receives claims for laboratory services in which the physician or laboratory has separately billed for tests that are available as part of an automated battery test, and, in the carrier's judgment, such battery tests are frequently performed and available for physicians' use, the carrier should make payment at the lesser amount for the battery.

The requirement that payment for individual tests not exceed the payment allowance for the battery is applied whether a particular laboratory has or does not have the automated equipment.

The State agency's claims processing system did not contain adequate edits to prevent the payment of certain unbundled chemistry panel tests.

Hematology Profiles

Our review of 50 instances involving claims containing hematology profiles disclosed that 49 of these instances contained duplicate charges. These overpayments occur when providers submit claims for duplicate hematology profiles or for a profile and an individual test which is included in the profile. These 50 instances were selected on a scientific random basis from a population of 190,707 instances involving claims containing hematology tests valued at $3,605,966. Based on our statistical sample, we estimate that the State agency overpaid providers $1,395,670 for duplicated hematology tests.

Section 7103 of the Medicare Carriers Manual states that a provider is liable for overpayments it receives. In addition, section 7103.1 B states that the provider is liable in situations when the error is due to overlapping or duplicate bills.

Hematology tests are performed and billed in groups or combinations of tests known as profiles. The hematology tests are grouped into profiles of specific hematology tests; however, hematology tests can also be performed individually. Duplicate billings occur when individual hematology tests are billed for the same patient for the same date of service as a hematology profile which includes the individual test. Duplicate billings also occur when two hematology profiles are billed for the same patient and same date of service. Another

situation which creates a duplicate billing is hematology indices billed with a hematology profile. Hematology indices are calculations and ratios calculated from the results of hematology tests. Since hematology indices are calculated along with the performance of each hematology profile, a separate billing for hematology indices results in a duplicate billing.

We noted that the State agency's claims processing system did not contain adequate edits to prevent duplicate payments for certain hematology profiles and profile component tests.

Urinalysis

Our review of 50 instances involving urinalysis claims disclosed that 42 instances contained urinalysis tests which were unbundled or duplicated for payment purposes. These 50 instances were selected on a scientific random basis from a population of 44,341 instances involving claims containing urinalysis tests valued at $579,400. Based on our statistical sample, we estimate that the State agency overpaid providers $149,066 for unbundled or duplicated urinalysis tests.

A complete urinalysis includes testing for components and a microscopic examination; however, providers can perform and bill different levels of urinalysis testing. In this regard, they can perform a urinalysis with microscopic examination, a urinalysis without microscopic examination, or a microscopic examination only. Based on the test performed and billed, unbundling or duplication of billing can occur among these tests.

Section 5114.1 F states that if a urinalysis examination which does not include microscopy (81002) and a urinalysis microscopy examination (81015) are both billed, payment should be as though the combined service (81000 - urinalysis with microscopy) had been billed.

The State agency's claim processing system did not contain adequate edits to prevent the payment of certain unbundled or duplicated urinalysis tests.

CONCLUSION

Our review showed that 141 of the 150 claims were overpaid. Projecting the results of our statistical sample over the population using standard statistical methods, we estimate that the State agency overpaid providers $3,454,548 (Federal share $2,151,967) for chemistry, hematology, and urinalysis tests during the 2-year audit period. At the 90 percent confidence level, the precision of this estimate is plus or minus 10.48 percent. Based on our audit, we estimate that $3,454,548 (Federal share $2,151,967) should be recovered for CYs 1993 and 1994.

RECOMMENDATIONS

We are recommending that the State agency:

(1) Install edits to detect and prevent payments for unbundled services and billings which contain duplicative tests.

(2) Recover Medicaid overpayments for clinical laboratory services identified in this review. Based on our audit, we estimate that $3,454,548 (Federal share $2,151,967) should be recovered for CYs 1993 and 1994.

(3) Make adjustments for the Federal share of amounts recovered by the State agency on its Quarterly Report of Expenditures to HCFA.

STATE AGENCY RESPONSE

In response to our draft report from the State agency dated March 1, 1996, the State agency officials agreed with our recommendations. The full text of the State agency's comments is contained in APPENDIX C.

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In accordance with the principles of the Freedom of Information Act (Public Law 90-23), Office of Inspector General, Office of Audit Services reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise. (See 45 CFR Part 5.)

Sincerely yours,

Charles J. Curtis
Regional Inspector General
for Audit Services

SAMPLE METHODOLOGY

From HCFA's MSIS paid claims file for CYs 1993 and 1994, we utilized computer applications to extract all claims containing:

1. automated multichannel chemistry panels and panel tests for chemistry procedure codes listed in the Physician's Current Procedural Terminology (CPT) handbook. (See APPENDIX B)

2. hematology profiles and component tests normally included as part of a hematology profile for hematology procedure codes listed in the CPT handbook. (See APPENDIX B)

3. urinalysis and component tests listed in the CPT handbook. (See APPENDIX B)

The above file extract yielded a total of $22,264,915 in payments for chemistry, hematology, and urinalysis tests in CYs 1993 and 1994. This total consisted of 724,071 records totaling $7,983,834 relating to chemistry panel tests, 1,201,425 records totaling $10,426,431 relating to hematology profile tests, and 822,097 records totaling $3,854,650 relating to urinalysis tests.

We then performed computer applications to extract all records for the same individual for the same date of service with HCFA's Common Procedure Coding System (HCPCS) line item charges for:

1. more than one different chemistry panel; a chemistry panel and at least one individual panel tests; or two or more panel tests.

2. more than one automated hematology profile under different profile codes; more than one unit of the same profile; a component normally included as part of a profile in addition to the profile; or hematology indices and a profile.

3. a complete urinalysis test and microscopy; a urinalysis without microscopy; or a microscopy only.

This extract resulted in a sample population totaling $7,676,288 consisting of three strata. The first strata consisted of 124,272 instances totaling $3,490,922 for potentially unbundled chemistry panel tests. The second strata consisted of 190,707 instances totaling $3,605,966 for potentially duplicate hematology profile tests. The third strata consisted of 44,341 instances totaling $579,400 for urinalysis tests with potentially unbundled or duplicate tests.

Each instance is a potential payment error in which the State agency paid providers for clinical laboratory tests (on behalf of the same beneficiary of date on the same date of service) which were billed individually instead of as part of a group, or were duplicative of each other.

On a scientific stratified selection basis, we examined 150 instances involving claims from three strata. The first stratum consisted of a randomly generated statistical sample of 50 potentially unbundled instances involving chemistry panel tests totaling $1,385. The second stratum consisted of a randomly generated statistical sample of 50 potentially duplicate instances involving hematology profile or profile component tests totaling $869. The third stratum consisted of a randomly generated statistical sample of 50 potentially duplicate instances involving urinalysis tests totaling $1,271.

For the sample items, we requested and reviewed supporting documentation from the State agency consisting of copies of physician, hospital or independent laboratory claims, electronic paid claims detail for claims submitted electronically, explanation of benefits paid, and related paid claims history.

We utilized a standard scientific estimation process to quantify overpayments for unbundled chemistry panel tests and duplicate hematology profile tests, and unbundled or duplicate urinalysis tests as shown in the schedule below.

Stratum	Number of Items	Number Sampled	Examined Value	Number of Errors	Error in Sample	Estimated Recovery	Precision at the 90 % Confidence Level
Chemistry Tests	124,272	50	$1,385	50	$768	$1,909,812	+/- 18.82%
Hematology Tests	190,707	50	$869	49	$366	$1,395,670	+/- 5.80%
Urinalysis Tests	44,341	50	$1,271	42	$168	$149,066	+/- 12.25%
Overall	359,320	150	$3,525	141	$1,302	$3,454,548	+/- 10.48%

AUTOMATED MULTICHANNEL CHEMISTRY PANEL TEST HCPCS

Chemistry Panel CPT Codes

80002	1 or 2 clinical chemistry automated multichannel test(s)
80003	3 clinical chemistry automated multichannel tests
80004	4 clinical chemistry automated multichannel tests
80005	5 clinical chemistry automated multichannel tests
80006	6 clinical chemistry automated multichannel tests
80007	7 clinical chemistry automated multichannel tests
80008	8 clinical chemistry automated multichannel tests
80009	9 clinical chemistry automated multichannel tests
80010	10 clinical chemistry automated multichannel tests
80011	11 clinical chemistry automated multichannel tests
80012	12 clinical chemistry automated multichannel tests
80016	13-16 clinical chemistry automated multichannel tests
80018	17-18 clinical chemistry automated multichannel tests
80019	19 or more clinical chemistry automated multichannel tests
80050	General Health Panel
80058	Hepatic Function Panel

Chemistry Tests Subject to Panelling (34 CPT Codes)

1.	Albumin	82040
2.	Albumin/globulin ratio	84170
3.	Bilirubin Total OR Direct	82250
4.	Bilirubin Total AND Direct	82251
5.	Calcium	82310, 82315, 82320, 82325
6.	Carbon Dioxide Content	82374
7.	Chlorides	82435
8.	Cholesterol	82465
9.	Creatinine	82565
10.	Globulin	82942
11.	Glucose	82947
12.	Lactic Dehydrogenase (LDH)	83610, 83615, 83620, 83624
13.	Alkaline Phosphatase	84075
14.	Phosphorus	84100
15.	Potassium	84132
16.	Total Protein	84155, 84160
17.	Sodium	84295
18.	Transaminase (SGOT)	84450, 84455
19.	Transaminase (SGPT)	84460, 84465
20.	Blood Urea Nitrogen (BUN)	84520
21	Uric Acid	84550
22.	Triglycerides	84478
23.	Creatinine Phosphokinase (CPK)	82550, 82555
24.	Glutamyl transpetidase, gamma	82977

AUTOMATED HEMATOLOGY PROFILE AND COMPONENT TEST HCPCS

Hematology Component Test CPT Codes

Red Blood Cell Count (RBC) only	85041
White Blood Cell Count (WBC) only	85048
Hemoglobin, Calorimetric (Hgb)	85018
Hematocrit (Hct)	85014
Manual Differential WBC count	85007
Platelet Count (Electronic Technique)	85595

Additional Hematology Component Tests - Indices

Automated Hemogram Indices (one to three)	85029
Automated Hemogram Indices (four or more)	85030

Hematology Profile CPT Codes

Hemogram (RBC, WBC, Hgb, Hct and Indices)	85021
Hemogram and Manual Differential	85022
Hemogram and Platelet and Manual Differential	85023
Hemogram and Platelet and Partial Automated Differential	85024
Hemogram and Platelet and Complete Automated Differential	85025
Hemogram and Platelet	85027

URINALYSIS TESTS

Urinalysis	81000
Urinalysis without microscopy	81002, 81003
Urinalysis microscopic only	81015

State of Georgia
Department of Medical Assistance
2 Peachtree Street, N.W.
Atlanta, Georgia 30303-3159

Marjorie P. Smith
Commissioner

March 1, 1996

Mr. Charles J. Curtis
Acting Regional Inspector General
for Audit Services
Department of Health and Human Services
Office of Inspector General
Office of Audit Services
Region IV
P. O. Box 2047
Atlanta, Georgia 30301

Dear Mr. Curtis:

Previously, on October 20, 1995, the Department had provided an initial response to audit findings reported in the Common Identification Number (CIN) A-04-95-1109. Since that time, the Department has been contacted by representatives from the Georgia Department of Audits asking about this Department's intention to follow recommendations presented in your report.

In order to avoid any misunderstanding, this letter is provided as assurance that the Department is in agreement with all of the following recommendations presented in your report:

1. The Department will include all appropriate claims processing edits within its payment system to avoid payments for inappropriate billing of laboratory services;

2. The Department, working through the Georgia Department of Audits, will collect from providers any past payments for inappropriate laboratory services;

3. The Department will refund to the federal government the applicable portion of any funds recovered from providers for inappropriate laboratory services.

Mr. Charles J. Curtis
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March 1, 1996

If you should have any suggestions about this response, or if you should have any questions about the Department's progress in implementing the recommendations listed above, please contact Jim Connolly, Director of the Division of Reimbursement Services, at (404) 657-9541.

Sincerely,

Marjorie P. Smith by JF
Commissioner

MPS:jnck

c: Claude Vickers