

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

Prior OIG work identified increased spending on Medicare Part B genetic testing, as well as fraudulent billing of genetic tests. Although there may be legitimate reasons for the increased spending, the increases indicate the potential for improper payments. Our prior analysis showed that, for 2016 through 2019, Current Procedural Terminology (CPT) code 81408 was the genetic-testing procedure code with the second highest total Part B payments and was the molecular pathology procedure (a type of genetic test) with the highest Medicare payment amount (\$2,000). This CPT code may be billed when testing for multiple genes associated with rare diseases. Because these diseases generally manifest in childhood, the genes associated with them would not generally be tested for in the Medicare population, which is predominantly 65 years of age and older. Therefore, there is a risk of Medicare improper payments for this CPT code.

Our objective was to determine whether the Centers for Medicare & Medicaid Services' (CMS's) oversight of Medicare payments for CPT code 81408 was adequate to reduce the risk of improper payments.

How OIG Did This Audit

To determine whether there was a risk of improper payments, we analyzed the Medicare Part B claims associated with payments of \$888.2 million for more than 450,000 genetic tests billed under CPT code 81408 that had dates of service from 2018 through 2021 (audit period). We also interviewed CMS and Medicare contractor officials.

CMS's Oversight of Medicare Payments for the Highest Paid Molecular Pathology Genetic Test Was Not Adequate To Reduce the Risk of up to \$888 Million in Improper Payments

What OIG Found

CMS and the Medicare Administrative Contractors' (MACs') oversight of Medicare payments for CPT code 81408 did not: (1) ensure that all Medicare enrollees had established relationships with ordering providers; (2) ensure that Medicare payments for CPT code 81408 were related to diseases associated with genes that would generally be tested and billed under that CPT code; and (3) include adequate monitoring of the number of tests billed under CPT code 81408, a Tier 2 molecular pathology procedure (MPP) code, to determine whether that number exceeded the number of tests billed under Tier 1 MPP codes. (Tier 2 MPPs are generally performed in lower volumes than Tier 1 MPPs because the diseases being tested for are rare.) In addition, not all MACs could identify the specific gene tested by laboratories billing CPT code 81408. Finally, although five of the seven MACs had Local Coverage Article guidance that prohibited or limited use of CPT code 81408, two MACs' Local Coverage Articles did not limit its use.

Although CMS officials stated that CMS conducts data analysis (e.g., to identify high-risk providers), CMS did not ensure that the MACs provided sufficient oversight over billing of and payments for CPT code 81408. Two of the MACs' payments made up 97 percent of the total payments for CPT code 81408 for our audit period. Because there were no longer payments for this CPT code by the end of our audit period (December 31, 2021), we consider the issues identified by this audit corrected. However, based on the results of our audit, up to \$888.2 million in Medicare payments made for CPT code 81408 claims that we identified for our audit period were at risk of improper payment.

What OIG Recommends and CMS Comments

We recommend that CMS direct the appropriate Medicare contractors to: (1) review claims billed under CPT code 81408 for our audit period to determine whether they complied with Medicare requirements and (2) determine the amount of improper payments for the claims that did not comply with Medicare requirements and recover up to \$888.2 million for claims that were at risk of improper payment during our audit period. The report contains the detailed recommendations and one other recommendation.

CMS concurred with our first and third recommendations. CMS did not concur or nonconcur with our second recommendation but provided information on actions that it planned to take to address this recommendation.