



FEB 1 1996

Mr. Bruce C. Vladeck
Administrator
Health Care Financing Administration
Department of Health and Human Services
Washington, D.C. 20201

Dear Mr. Vladeck:

This letter alerts you to the issuance on February 5, 1996 of our final audit report to the North Carolina Division of Medical Assistance (State agency) concerning reimbursement for clinical laboratory services under the Medicaid program for Calendar Years (CY) 1993 and 1994. This audit was a joint effort by the Department of Health and Human Services, Office of Inspector General, Office of Audit Services, and the North Carolina Office of the State Auditor. A copy of the report is enclosed.

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. This report is part of our nationwide review of Medicaid payments for laboratory services.

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. We developed a computer program that identified about \$4.5 million of potential instances of unbundled or duplicate claims. Of the claims identified as possibly unbundled or duplicated, we found 297 out of 300 sampled items were not paid correctly. We estimate that the State agency overpaid providers \$1,961,660 (Federal share \$1,282,509/State share \$679,151) of the total \$4.5 million 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 duplicate 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).

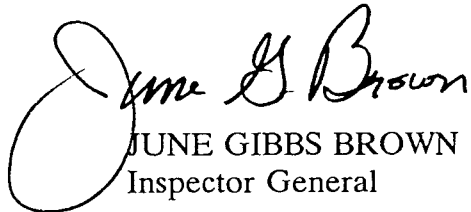
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We received a written response to our draft report from the State agency dated October 13, 1995, in which the State agency officials generally concurred with our recommendations.

In light of the error factor of unbundled or duplicate 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.

If you have any questions about this review, please contact either of us or Thomas D. Roslewicz, Deputy Inspector General for Audit Services, at (202) 619-3155.

Sincerely,


JUNE GIBBS BROWN
Inspector General


RALPH CAMPBELL, JR.
North Carolina State Auditor

Enclosure

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF THE
NORTH CAROLINA DIVISION OF
MEDICAL ASSISTANCE'S REIMBURSEMENT
FOR CLINICAL LABORATORY SERVICES UNDER
THE MEDICAID PROGRAM**



**JUNE GIBBS BROWN
Inspector General**

**FEBRUARY 1996
A-04-95-01113**



Memorandum

CIN: A-04-95-01113

Mr. C. Robin Britt, Sr., Secretary
Department of Human Resources
101 Blair Drive
Raleigh, North Carolina 27626

Dear Mr. Britt:

This report presents the results of our review of the North Carolina Division of Medical Assistance's (State agency) reimbursement for clinical laboratory services under the Medicaid program for Calendar Year (CY) 1993 and 1994. This audit was a joint effort by the Department of Health and Human Services (HHS), Office of Inspector General (OIG), Office of Audit Services (OAS), and the North Carolina Office of the State Auditor. 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 \$1,961,660 (Federal share \$1,282,509/State share \$679,151) for chemistry, hematology, and urinalysis tests for CY 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). Based on our audit, we estimate that \$1,961,660 (Federal share \$1,282,509/State share \$679,151) should be recovered for CY 1993 and 1994.

We received a written response to our draft report from the State agency dated October 13, 1995. In response to our draft report, the State agency officials generally concurred with our recommendations.

Their comments are summarized following the recommendations and the entire text is included as 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 physician's 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.

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:

- o reviewed State agency policies and procedures for processing Medicaid claims from providers for clinical laboratory services.
- o extracted from the State agency's CY 1993 and 1994 paid claim files, payments totaling \$17,243,578 for chemistry, hematology, and urinalysis tests. Of this amount, \$4,493,724 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 the States paid claims files nor did we evaluate the adequacy of the input controls.
- o selected a stratified random sample of 300 instances. The sample consisted of six strata; chemistry CY 1993, hematology CY 1993, urinalysis CY 1993, chemistry CY 1994, hematology CY 1994, and urinalysis CY 1994. We selected 50 instances involving 1993 chemistry claims from a population of 31,119 instances containing chemistry tests valued at \$809,127; 50 instances involving 1993 hematology claims from a population of 56,502 instances containing hematology tests valued at \$1,006,824; 50 instances involving 1993 urinalysis claims from a population of 15,691 instances containing urinalysis tests valued at \$138,675; 50 instances involving 1994 chemistry claims from a population of 32,776 instances containing chemistry tests valued at \$883,599; 50 instances involving 1994 hematology claims from a population of 82,057 instances containing hematology tests valued at \$1,464,708; and 50 instances involving 1994 urinalysis claims from a population of 19,011 instances containing urinalysis tests valued at \$190,791. 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 300 instances was valued at \$5,432.
- o reviewed the randomly selected instances and supporting documentation from the State agency to determine the propriety of the payment.
- o 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 CY 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 during the months of July and August 1995 at the State agency's office in Raleigh, North Carolina. The review was a joint effort by the staff of HHS, OIG, OAS, and the North Carolina Office of the State Auditor.

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 \$1,961,660 (Federal share \$1,282,509/State share \$679,151) for chemistry, hematology, and urinalysis tests for CY 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 the State agency's database for CY 1993 and 1994. The paid claims file contained a population of CY 1993 and 1994 paid claims valued at \$17,243,578 for all clinical laboratory services. This extract yielded a total of \$4,493,724 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 31,119 CY 1993 chemistry panel tests with a value of \$809,127; 56,502 CY 1993 hematology tests valued at \$1,006,824; 15,691 CY 1993 urinalysis tests valued at \$138,675; 32,776 CY 1994 chemistry panel tests with a value of \$883,599; 82,057 CY 1994 hematology tests valued at \$1,464,708; and 19,011 CY 1994 urinalysis tests valued at \$190,791. (See APPENDICES A and B)

We selected a stratified random sample of 300 instances (50 each for chemistry CY 1993, hematology CY 1993, urinalysis CY 1993, chemistry CY 1994, hematology CY 1994, and urinalysis CY 1994) involving claims with potential payment errors from the sample population of CY 1993 and 1994 paid claims file valued at \$4,493,724. 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 CY 1993 claims containing unbundled charges for chemistry tests disclosed that all 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 31,119 instances involving claims containing potentially unbundled chemistry panel tests valued at \$809,127. Based on our statistical sample, we estimate that the State agency overpaid providers \$457,449 for unbundled or duplicated chemistry panel tests for CY 1993.

Our review of 50 instances involving CY 1994 claims containing unbundled charges for chemistry tests again disclosed that all 50 instances contained overpayments. The 50 instances were selected on a scientific random basis from a population of 32,776 instances involving claims containing potentially unbundled chemistry panel tests valued at \$883,599. Based on our statistical sample, we estimate that the State agency overpaid providers \$488,690 for unbundled or duplicated chemistry panel tests for CY 1994.

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 CY 1993 claims containing hematology profiles disclosed that 48 of these instances contain 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 56,502 instances involving claims containing hematology tests valued at \$1,006,824. Based on our statistical sample, we estimate that the State agency overpaid providers \$343,317 for duplicated hematology tests in CY 1993.

Our review of 50 instances involving CY 1994 claims containing hematology profiles disclosed that all 50 of these instances contained duplicate charges. These 50 instances were selected on a scientific random basis from a population of 82,057 instances involving claims containing hematology tests valued at \$1,464,708. Based on our statistical sample, we estimate that the State agency overpaid providers \$503,338 for duplicated hematology tests in CY 1994.

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 CY 1993 urinalysis claims disclosed that all 50 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 15,691 instances involving claims containing urinalysis tests valued at \$138,675. Based on our statistical sample, we estimate that the State agency overpaid providers \$76,685 for unbundled or duplicated urinalysis tests in CY 1993.

Our review of 50 instances involving CY 1994 urinalysis claims disclosed that 49 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 19,011 instances involving claims containing urinalysis tests valued at \$190,791. Based on our statistical sample, we estimate that the State agency overpaid providers \$92,181 for unbundled or duplicated urinalysis tests in CY 1994.

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 297 of the 300 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 \$1,961,660 (Federal share \$1,282,509/State share \$679,151) 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 6.06 percent. Based on our audit, we estimate that \$1,961,660 (Federal share \$1,282,509/State share \$679,151) should be recovered for CY 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 \$1,961,660 (Federal share \$1,282,509/State share \$679,151) should be recovered for CY 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, the State agency officials generally concurred with our recommendations. Although, it is the States agency's position that:

- 1) the chemistry panel edits/audits utilized by the State agency during the audit period were those required by HCFA, and
- 2) HCFA had not provided specific instructions or guidance as to required hematology profiles during the review period.

The full text of the State agency's response is contained in APPENDIX C.

OIG COMMENTS

After reviewing the State agency's comments, we contacted HCFA officials concerning the regulations requiring bundling of laboratory tests. The HCFA officials confirmed that regulations applied in our audit were in place during our audit period.

After considering the State agency's response, we believe our recommendations should remain as reported.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG, OAS 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 the State agency's 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 \$17,243,578 in payments for chemistry, hematology, and urinalysis tests in CY 1993 and 1994. This total consisted of \$2,925,337 relating to CY 1993 chemistry panel tests, \$4,223,081 relating to CY 1993 hematology profile tests, \$1,317,467 relating to CY 1993 urinalysis tests, \$3,034,467 relating to CY 1994 chemistry panel tests, \$4,369,494 relating to CY 1994 hematology profile tests, and \$1,373,732 relating to CY 1994 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 \$4,493,724 consisting of six strata. The first strata consisted of 31,119 instances totaling \$809,127 for potentially unbundled CY 1993 chemistry panel tests. The second strata consisted of 56,502 instances totaling \$1,006,824 for potentially duplicate hematology profile tests for CY 1993. The third strata consisted of 15,691 instances totaling \$138,675 for CY 1993 urinalysis tests with potentially unbundled or duplicate tests. The fourth strata consisted of 32,776 instances totaling \$883,599 for

potentially unbundled CY 1994 chemistry panel test. The fifth strata consisted of 82,057 instances totaling \$1,464,708 for potentially duplicate hematology profile tests for CY 1994. The sixth strata consisted of 19,011 instances totaling \$190,791 for CY 1994 urinalysis tests with potentially unbundled or duplicate tests. Each instance is a potential payment error in which the State agency paid providers for linical 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 300 instances involving claims from six strata. The first stratum consisted of a randomly generated statistical sample of 50 potentially unbundled instances involving chemistry panel tests totaling \$1,336. The second stratum consisted of a randomly generated statistical sample of 50 potentially duplicate instances involving hematology profile or profile component tests totaling \$893. The third stratum consisted of a randomly generated statistical sample of 50 potentially duplicate instances involving urinalysis tests totaling \$469. The forth stratum consisted of a randomly generated statistical sample of 50 potentially unbundled instances involving chemistry panel tests totaling \$1,397. The fifth stratum consisted of a randomly generated statistical sample of 50 potentially duplicate instances involving hematology profile or profile component tests totaling \$863. The sixth stratum consisted of a randomly generated statistical sample of 50 potentially duplicate instances involving urinalysis tests totaling \$474.

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 1993	31,119	50	\$1,336	50	\$735	\$457,449	+/- 12.60%
Hematology Tests 1993	56,502	50	\$893	48	\$304	\$343,317	+/- 15.55%
Urinalysis Tests 1993	15,691	50	\$469	50	\$244	\$76,685	+/- 12.56%
Chemistry Tests 1994	32,776	50	\$1,397	50	\$746	\$488,690	+/- 11.80%
Hematology Tests 1994	82,057	50	\$863	50	\$307	\$503,338	+/- 13.98%
Urinalysis Tests 1994	19,011	50	\$474	49	\$242	\$92,181	+/- 12.05%
Overall	237,156	300	\$5,432	297	\$2,578	\$1,961,660	+/- 6.06%

AUTOMATED MULTICHANNEL CHEMISTRY PANEL TEST HCPCSChemistry 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, Colorimetric (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



North Carolina Department of Human Resources

101 Blair Drive • Post Office Box 29526 • Raleigh, North Carolina 27626-0526
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James B. Hunt Jr., Governor

C. Robin Britt, Sr., Secretary

October 13, 1995

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

Dear Mr. Curtis:

Thank you for the opportunity to review and make comment on the draft of the review of clinical laboratory services reimbursements to service providers under the Medicaid program administered by the North Carolina Department of Human Resources, Division of Medical Assistance for C/Y's 1993 and 1994 which was performed jointly by your office and the North Carolina Office of the State Auditor (CIN A-04-95-01113). We appreciate the efforts of your staff and that of the State Auditor participating in this review and value the advice and recommendations that have been provided by them in both verbal and written form.

In response to the draft, we wish to address first, the application of HCFA guidelines relative to edits/audits existent in C/Y's 1993 and 1994; and, second, we wish to address the recommended recoveries contained in the review.

HCFA Guidelines Relative to Edits/Audits

As part of our review of the draft report, we compared guidelines for chemistry panels, hematology profiles, and urinalysis as contained in the CPT manual and Section 5114 of the Medicare Carriers Manual for C/Y's 1993 and 1994.

Chemistry Panels

It is our opinion that the edits/audits utilized by the Division of Medical Assistance during C/Y's 1993 and 1994 were those required by HCFA as set forth in the Medicare Carriers Manual. Section 5114 provides a list of chemistry tests subject to paneling. For C/Y's 1993 and 1994 the manual stated:

"The following list contains some of the tests which can be and are frequently done as groups and combinations on automated multichannel equipment.

Albumin	Lactic dehydrogenase
Bilirubin, direct	Phosphatase, alkaline
Bilirubin, total	Phosphorus
Calcium	Potassium
Carbon dioxide content	Protein, total
Chlorides	Sodium
Cholesterol	Transemnase, glutamic oxalacetic (SGOT)
Globulin	Urea nitrogen
Glucose (sugar)	Uric Acid

In addition, Section 5114 states, "Consultations with representatives from the medical profession and independent laboratory associations are helpful in determining which of the commonly performed battery of tests can be categorized as being sufficiently similar in their composition of tests to be priced under the procedure code." In early C/Y 1993, the Division of Medical Assistance sought the services of an outside medical consultant. Based on the recommendations of this medical consultant the chemistry tests for SGPT (84460), Triglycerides (84478), and Albumin/Globulin (84170) were removed from the edits/audits in place for C/Y 1992 and prior.

During C/Y's 1993 and 1994 the Division had edits/audits in place which covered all the above listed tests, with the exception of those recommended for deletion by the medical consultant.

Additionally, we noted three tests included in Appendix B, Chemistry Tests Subject to Panelling (34 CPT Codes), which were not cited in either the CPT Manual or Section 5114 of the Medicare Carrier's Manual. These tests were:

22. Triglycerides	84478
23. Creatinine Phosphokinase (CPK)	82550, 82555
24. Glutanyl transpetidase, gamma	82977

Our analysis of the exceptions noted in the review disclosed that:

C/Y 1993 Dates of Service

Of 50 cases sampled, the following exceptions were noted:

- 35 were for code 82977 - Glutamyl transpetidase
- 29 were for code 84478 - Triglycerides
- 3 were for code 84460 - SGPT
- 1 was for code 82550 - CPK

C/Y 1994 Dates of Service

Of 50 cases sampled, the following exceptions were noted:

- 40 were for code 82977 - Glutamyl transpetidase
- 39 were for code 84478 - Triglycerides
- 4 were for code 84460 - SGPT
- 1 was for code 82550 - CPK

In conclusion, all but three of the exceptions noted in the C/Y 1993 sample and all but four of the exceptions noted in the 1994 sample were related to the three questioned codes.

Hematology Profiles

CPT Manual codes for hematology profiles questioned in the review were 85029 and 85030. The CPT Manual's definition of these codes are:

85029 additional automated hemogram indices (e.g., red cell distribution width (RDW), mean platelet volume (MPV), red blood cell histogram, platelet histogram, white blood cell histogram); one to three indices

85030 four or more indices

We concur that for C/Y's 1993 and 1994 edits and audits for codes 85029 and 85030 were not in place. It is the Division's position that HCFA had not provided specific instructions or guidance as to required profiles during the review period. In the absence of specific guidance, the Division interpreted these to be additional tests. In support of this position, a number of service providers wrote to the Division indicating an inability to bundle these tests.

Our analysis of the exceptions noted in the review disclosed that:

C/Y 1993 Dates of Service

Of 50 cases sampled, the following exceptions were noted:

- 44 were for code 85029 - Additional automated hemogram indices, one to three indices
- 6 were for code 85030 - four or more indices

C/Y 1994 Dates of Service

Of 50 cases sampled, the following exceptions were noted:

- 44 were for code 85029 - Additional automated hemogram indices, one to three indices
- 6 were for code 85030 - four or more indices

In conclusion, all the noted exceptions were related to codes which the Division had interpreted to be additional and not subject to bundling.

Urinalysis

We concur that edits/audits for the cited codes were required by Section 5114 of the Medicare Carriers Manual during C/Y's 1993 and 1994. The Division did not have edits/audits for these codes in place during the review period.

Recommended Recoveries

By projection of sample results, the review included recommendation for the recovery of funds in the amount of \$1,961,660 (Federal share \$1,282,509/State share \$679,151) for chemistry, hematology, and urinalysis tests during the two year audit period. However, actual sample results specifically identified only \$2,578 which is recoverable from service providers. HCFA representatives have informed us that they will provide a complete listing of service providers, identifying those amounts which are deemed to be recoverable from each service provider by client and date of service.

In Conclusion

Subject to the resolution of questions addressed in HCFA Guidelines Relative to Edits/Audits and the provision of recovery data by service provider/recipient, we concur with:

- a) the installation of edits/audits to detect and prevent payments for unbundled services and billings which contain duplicative tests as appropriate; and,
- b) the refunding of the Federal share on all amounts as recovered from service providers based on the review of documentation provided by HCFA.

In closing let me again thank you, your staff, and that of the State Auditor for the assistance and recommendations that have been provided to us during the course of your review. We look forward to working with you on the resolution of all the items identified in your review.

Sincerely,


C. Robin Britt, Sr.

cc: Barbara D. Matula
Joyce H. Johnson
Lee Kittredge

James B. Edgerton
Frank Bobbitt