DEPARTMENT OF HEALTH & HUMAN SERVICES

REGION III
3535 MARKET STREET
PHILADELPHIA, PENNSYLVANIA 19104

TELEPHONE:
AREA CODE 215
596-6743-6744

OIG OFFICE OF AUDIT SERVICES

MAILING ADDRESS:
P.O. BOX 13716, MAIL STOP 9
PHILADELPHIA,
PENNSYLVANIA 19101

August 7, 1996

Our Reference: Common Identification Number A-03-96-00200

Martin P. Wasserman, M.D., J.D., Secretary
Department of Health and Mental Hygiene
State of Maryland
Herbert R. O'Connor Building
201 West Preston Street
Baltimore, Maryland 21201

Dear Dr. Wasserman:

This report presents the results of our review of the Maryland Department of Health and Mental Hygiene's (State agency) reimbursements for outpatient clinical laboratory services under the Medicaid program. The objective of our review was to determine the adequacy of procedures and controls over the processing of Medicaid payments to providers in Calendar Years (CY) 1993 and 1994 for outpatient clinical laboratory services involving chemistry tests.[1]

Our review disclosed that the State agency lacked adequate procedures or controls to ensure that Medicaid reimbursements for chemistry tests did not exceed amounts recognized by the Medicare program, as required by Section 6300 of the State Medicaid Manual. In this regard, Medicare regulations provide that claims for laboratory services in which a provider bills separately for tests that are available as part of an automated multichannel chemistry panel should be paid at the lesser amount for the panel.

We randomly selected 100 instances involving chemistry claims with potential payment errors[2] from a sample population of CY 1993 and 1994 paid claims files valued at $322,862. We found that 97 of the 100 sampled instances were overpaid in that:

---

[1] The amount of potential overpayments involving urinalysis and hematology tests identified by our computer application was minimal. Therefore, we concluded that no further analysis of the procedures and controls over these tests was warranted and they were excluded from our detailed review.

[2] A potential payment error is an instance where the State agency paid a provider for clinical laboratory tests (on behalf of the same Medicaid recipient on the same date of service) on an individual test basis instead of as part of a panel, or that were duplicative of each other.

- 96 of the sampled items involved tests that were available as part of an automated multichannel chemistry panel and should have been paid at the lesser amount for the panel rather than at the higher individual test amount.

- 1 of the sample items involved a test that was performed twice on the same day.

Projecting the results of our statistical sample over the population using standard statistical methods, we estimate that the State agency overpaid providers $254,932 (Federal share $127,466). At the 90 percent confidence level, the precision of this estimate is plus or minus 6.92 percent.

Virtually all of the overpayments resulted from the State agency: (1) not requiring that laboratory tests for triglycerides, creatinine phosphokinase (CPK), and glutamyltransferase, gamma (GGT) be bundled into a multichannel panel; or (2) allowing two chemistry tests to be billed separately and not as a panel. The Medicare carrier for Maryland requires both of these bundling provisions for Medicare claims. The State agency has proposed changes to its medical laboratory regulations that would incorporate these bundling standards.

We are recommending that the State agency: (1) implement its proposed policy changes that would mandate bundled services; (2) install edits to detect and prevent payments for unbundled services and billings which contain duplicative tests; (3) recover overpayments for clinical laboratory services identified in this review; and (4) 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).

The State agency responded to a draft of this report. The State agency agreed to implement policies that would mandate bundled services and to install edits to detect and prevent payment for unbundled and duplicative services. However, the State agency did not concur with our recommendations to pursue overpayments identified during our review and make the appropriate adjustments on its Quarterly Report of Expenditures. We have summarized the State agency's response along with our comments after the Conclusions and Recommendations section of this report. The State agency's written response is included in its entirety as Appendix C.

INTRODUCTION

BACKGROUND

Medicaid, a Federally aided, State program established under Title XIX of the Social Security Act, provides medical assistance to certain individuals and families with low income and resources. Within broad Federal guidelines, States design and administer the Medicaid program under the general oversight of HCFA. States are required to provide certain medical services and other services such as outpatient clinical laboratory tests.

Laboratory tests are performed by providers on a patient's specimen to help physicians diagnose and treat ailments. Chemistry tests, which are the subject of this report, involve the measurement of various chemical levels in 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.

The testing may be performed in a physician's office, a hospital laboratory, or by an independent laboratory. The providers submit claims for laboratory services performed on Medicaid beneficiaries. Claims processing is the responsibility of a designated Medicaid agency in each State which may elect to use outside fiscal agents to process claims. The Maryland State agency elected to process its Medicaid claims rather than use an outside fiscal agent.

The State Medicaid Manual essentially limits Medicaid payments for outpatient clinical laboratory tests to the amount that Medicare pays. Specifically:

- 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.

- 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. The Medicare 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.

- Section 6300.5 allows a State agency to enter into agreements to purchase laboratory services. However, States may not pay more in the aggregate for clinical diagnostic laboratory tests than the amount that would be paid for the tests under the Medicare fee schedule.

SCOPE

Our review was conducted in accordance with generally accepted government auditing standards. The objective of our review was to determine the adequacy of procedures and controls over the processing of Medicaid payments to providers in CY 1993 and 1994 for clinical laboratory services involving chemistry tests. We did not include in our detailed review hematology and urinalysis tests because our computer applications identified an

insignificant amount of potential payment errors ($4,793 for hematology test and $74 for urinalysis tests). To accomplish our objective, we:

- Reviewed State agency policies and procedures for processing Medicaid claims from providers for clinical laboratory services involving chemistry tests.

- Reviewed the Medicare carrier's (TrailBlazer Enterprises, Inc., formerly BlueCross BlueShield of Maryland) policies and procedures for processing Medicare claims from providers for clinical laboratory services.

- Extracted from the State of Maryland 1993 and 1994 Medicaid paid claims files, payments totaling $1,625,259 for chemistry tests. Of this amount, $612,137 represented 28,229 instances involving claims for more than one panel or for a panel and individual tests, or for more than one individual test for the same recipient on the same date of service by the same provider (See APPENDICES A and B).

- Applied computer edits to the extract file containing $612,137 in payments for chemistry tests to determine that $322,862 was the value of the potential overpayments.

- Selected a random statistical sample of 100 instances involving chemistry claims from a population of 29,229 instances containing chemistry tests valued at $322,862.

- Reviewed the randomly selected instances and supporting documentation, including paid vouchers, from the State agency to determine the propriety of the payment. 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 paid claims files nor did we evaluate the adequacy of the input controls.

- Utilized a variable sample appraisal methodology to estimate the amount of overpayment for chemistry 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 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.

We performed our review between March and April 1996. During this period we visited the State agency office in Baltimore, Maryland.

RESULTS OF REVIEW

Contrary to the State Medicaid Manual Section 6300, the State agency paid providers more for chemistry tests than would have been paid under the Medicare program. Specifically, the State agency reimbursed Medicaid providers for chemistry tests that were not properly grouped together (bundled into a panel) or were duplicated for payment purposes. These improper payments were caused primarily by the State agency's policies that: (1) did not require that tests for triglycerides, creatinine phosphokinase (CPK), and glutamyltransferase, gamma (GGT) be bundled into a multichannel panel; and (2) allowed two chemistry tests to be billed separately and not as a panel. The Medicare carrier for Maryland requires both of these bundling provisions for Medicare claims.

State agency officials told us that they have proposed changes to the State medical laboratory regulations to expand its list of chemistry tests that must be grouped together and billed at a panel rate. Among the tests proposed to be added are the test for triglycerides, creatinine phosphokinase (CPK), and glutamyltransferase, gamma (GGT).

We randomly selected 100 instances involving claims with chemistry panel tests valued at $2,132 from the sample population of CY 1993 and 1994 paid claims files valued at $322,862 (potential payment errors). Our review showed that 97 of the 100 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 $254,932 (Federal share $127,466) for chemistry tests during the 2-year audit period. At the 90 percent confidence level, the precision of this estimate is plus or minus 6.92 percent. The 97 payment errors are summarized as follows:

- ✓ 88 payments for one of three chemistry tests--triglycerides, creatinine phosphokinase (CPK), and glutamyltransferase, gamma (GGT)--that were billed separately and not included in the automated multichannel panel test.
- ✓ 4 payments for two chemistry tests that were billed separately and not bundled into a panel test.
- ✓ 3 payments for multiple tests that were performed on the same date and listed on more than one claim form but should have been bundled into a panel test according to State agency guidelines.
- ✓ 1 payment for a triglycerides test and two other chemistry tests that were billed separately and not bundled into a panel test.
- ✓ 1 payment for a test that was performed twice on the same day.

The Medicare carrier for Maryland requires that tests for triglycerides, creatinine phosphokinase (CPK), and glutamyltransferase, gamma (GGT) are to be bundled into a multichannel panel. The Carrier also requires that two chemistry tests are to be billed as a panel under Current Procedural Terminology (CPT) code 80002. The State agency has proposed changes to its medical laboratory regulations that would incorporate these bundling standards. Also, the State agency ordinarily does not allow providers to bill multiple units of services for the same recipient on the same day.

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 judgement, such battery tests are frequently performed and available for physicians' use, the carrier should make payment at the lesser amount for the battery. The limitation 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.

CONCLUSIONS AND RECOMMENDATIONS

The State agency reimbursed providers for laboratory services for chemistry tests that were not grouped together (bundled into a panel) or were duplicated for payment purposes. We estimate that the State agency overpaid providers $254,932 (Federal share $127,466) for chemistry tests during CY 1993 and 1994. The State agency proposed changes to its reimbursement policies that should bring the Medicaid reimbursements more into line with Medicare reimbursements and could save the Medicaid program about $637,000 (Federal share $318,500) over a 5-year period. Therefore, we recommend that the State agency:

1. Implement its proposed policy changes that would mandate bundled services.

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

3. Recover Medicaid overpayments for clinical laboratory services identified in this review. Based on our audit, we estimate that $254,932 should be recovered for CY 1993 and 1994.

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

STATE AGENCY'S COMMENTS

The State agency concurred with the first two of our four recommendations. The Maryland Medicaid Program is amending its regulations to include triglycerides, creatinine phosphokinase (CPK), and gamma Glutamyltransferase (GGT) in the mandatory chemistry panel billing components. The State agency will amend its regulations to clarify the billing

of one and/or two clinical chemistry tests. The State agency will also require "review and override" in order to pay for multiple services. The State agency expects these changes to be effective on or before January 1, 1997.

The State agency did not agree to recover Medicaid overpayments or make an adjustment for the Federal share of those overpayments. The State agency noted that the CPT manual does not include triglycerides, CPK, and GGT in its list of automated panel test components. The State agency also responded that the State's current Medicare carrier only recently specified that these tests are part of the automated multichannel panel. Lastly, the State agency questioned the OIG audited price of $4.00 for two tests that should have been billed under CPT code 80002. The State agency believes the audited amount should be $8.00 ($4.00 for each test).

OIG'S COMMENTS

We are pleased that the State agency concurred with two of our recommendations. We previously estimated that the corrective actions proposed by the State agency could save the Medicaid program about $637,000 (Federal share $318,000) over a 5-year period.

We believe that the State agency should reconsider its decision not to implement our remaining recommendations to recover the overpaid amounts identified in our review and to make appropriate adjustments for the Federal share of the amounts recovered on the Quarterly Report of Expenditures to HCFA. Our review has demonstrated that the State agency did not comply with Section 6300 of the State Medicaid Manual which limits Medicaid payments to the amount Medicare pays for the same service.

Our review followed the State's Medicare carrier policies during 1993 and 1994. During that period the Medicare carrier for Maryland required that tests for triglycerides, CPK, and GGT be bundled into a multichannel panel. The Carrier also required that two chemistry tests are to be billed as a panel under CPT code 80002. Therefore, we believe the State agency should pursue collection for the overpayments identified in this report and make the appropriate adjustments on its Quarterly Report of Expenditures to HCFA.

Finally, we disagree with the State agency's comment that the fee for CPT code 80002 should have been $8.00. The State's Medicaid fee schedule (COMAR 10.09.02) states that the **maximum** reimbursement under CPT code 80002 is $4.00.

*** *** ***

Final determination as to actions to be taken on all matters will be made by the HHS official named below. The HHS action official will contact you to resolve the issues in the audit report. Any additional comments or information that you believe may have a bearing on the resolution of this audit may be presented at that time. Should you have any questions please direct them to the HHS official named below.

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).

To facilitate identification, please refer to the referenced common identification number in all correspondence relating to this report.

Sincerely yours,

Thomas J. Robertson
Regional Inspector General
for Audit Services

HHS Official

Health Care Financing Administration
Associate Regional Administrator
Division of Medicaid
P.O. Box 7760, Mail Stop 13
Philadelphia, Pennsylvania 19101

SAMPLE METHODOLOGY

From the State of Maryland Department of Health and Mental Hygiene paid claims file for calendar years (CY) 1993 and 1994, we utilized computer applications to extract all claims containing automated multichannel chemistry panels and panel tests for chemistry procedure codes listed in the Physician's Current Procedural Terminology (CPT) handbook. (See APPENDIX B) This file extract yielded a total of $1,625,259 in payments for chemistry tests in CY 1993 and 1994.

We then performed computer applications to extract all records for the same individual for the same date of service with:

- CPT line item charges for more than one chemistry test or panel;
- a chemistry panel and at least one individual panel tests; or
- two or more panel tests.

The extract resulted in a sample population of 29,229 instances totaling $612,137 consisting of two strata. The first stratum of 1993 data consisted of 17,127 instances totaling $360,625 for potentially unbundled chemistry panel tests. The second stratum of 1994 data consisted of 12,102 instances totaling $251,512 for potentially unbundled chemistry panel 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 on the same date of service) which were billed individually instead of as part of a group, or were duplicative of each other.

We then applied computer edits to this extract file to determine the potential overpayment amounts. For the first stratum of 1993 data, we determined that $212,432 of the $360,625 was the value of the potential overpayment. For the second stratum of 1994 data, we determined that $110,430 of the $251,512 was the value of the potential overpayment.

On a scientific stratified selection basis, we examined 100 instances involving claims from the two strata. The first stratum of 1993 data consisted of a randomly generated statistical sample of 50 potentially unbundled instances involving chemistry panel tests with a potential error totaling $655.30. The second stratum of 1994 data consisted of a randomly generated statistical sample of 50 potentially unbundled instances involving chemistry panel tests with a potential error totaling $612.45.

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 or duplicate chemistry panel tests as shown below.

Stratum	Number of Items	Number Sampled	Examined Value	Number of Errors	Error in Sample	Estimated Recovery
1993 Chemistry Tests	17,127	50	$1,109.75	49	$454.45	$155,667
1994 Chemistry Tests	12,102	50	$1,022.60	48	$401.15	$99,265
Total	29,229	100	$2,132.35	97	$855.60	$254,932

The results of the scientific sample of Stratum 1, 1993 chemistry tests, disclosed that 49 of 50 instances we reviewed represented overpayments for unbundled chemistry panel tests. Projecting the results of the statistical sample over the population using standard statistical methods, we estimate that $155,667 paid for unbundled chemistry panel tests can be recovered. At the 90 percent confidence level, the precision of this estimate is plus or minus 9.85 percent. The following table illustrates our review of the sample items.

Sample No.	MD Services Billed	MD Medicaid Paid Amount	Audited Services	Audited Amount	Overpayment
4	80019, 82977, 84478	$25.70	80019	$13.70	$12.00
8	82947, 82465	$8.55	80002	$4.00	$4.55

The results of the scientific sample of Stratum 2, 1994 chemistry tests, disclosed that 48 of 50 instances we reviewed represented overpayments for unbundled chemistry panel tests. Projecting the results of the statistical sample over the population using standard statistical methods, we estimate that $99,265 paid for unbundled chemistry panel tests can be recovered. At the 90 percent confidence level, the precision of this estimate is plus or minus 9.44 percent.

The results of the total sample of chemistry tests disclosed that 97 of the instances we reviewed contained overpayments for unbundled chemistry panel tests. Projecting the results of the statistical sample over the population using standard statistical methods, we estimate that $254,932 in duplicate payments for chemistry tests can be recovered. At the 90 percent confidence level, the precision of this estimate is plus or minus 6.92 percent.

AUTOMATED MULTICHANNEL CHEMISTRY PANEL TESTS

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

24 Chemistry Tests Subject to Panels (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.	Glutamyltransferase, gamma (GGT)	82977

State of Maryland

DEPARTMENT OF HEALTH AND MENTAL HYGIENE
201 WEST PRESTON STREET • BALTIMORE, MARYLAND 21201 • Area Code 410 • 225-

Parris N. Glendening
Governor

Martin P. Wasserman, M.D., J.D.
Secretary

July 15, 1996

Thomas J. Robertson, Regional Inspector General for Audit Services
OIG Office of Audit Services
P.O. Box 13716, Mail Stop 9
Philadelphia, Pennsylvania 19101

Re: Common Identification Number A-30-96-00200

Dear Mr. Robertson:

Thank you for the opportunity to review and comment on the draft OIG Office of Audit Services report entitled, REVIEW OF CLINICAL LABORATORY SERVICES UNDER MARYLAND'S MEDICAID PROGRAM FOR CALENDAR YEARS 1993 AND 1994. The following are the responses to the recommendations made in this report:

Report Recommendations:

1. Implement proposed policy changes that would mandate bundled services.

2. Install edits to detect and prevent payment for unbundled services and billings which contain duplicative tests.

Program Response:

The Maryland Medicaid Program concurs with recommendations 1 and 2. The Program is in the process of amending regulations to include triglycerides, creatinine phosphokinase (CPK), and gamma glutamyltransferase (GGT) in the mandatory chemistry panel billing components and limiting the billing of these components to a single unit of a single code without review or bundling into the automated multichannel test code appropriate to the number of components. Code 80002 will have a maximum reimbursement equivalent to the lowest amount allowed for any of the components and a Program created code will be established to describe "2 clinical chemistry tests". Review and override will be required to pay multiple units of a code, multiple codes, multiple panels, and/or panels and codes that involve duplicate components due to multiple specimens on the same day. These regulations are expected to be effective on or before January 1, 1997.

Report Recommendations:

3. Recover Medicaid overpayments for clinical laboratory services identified in this review. Based on our audit, we estimate that $254,932 should be recovered for CY 1993 and 1994.

4. Make adjustments for the Federal share of the amounts recovered by the State agency on its Quarterly Report of expenditures to HCFA 64.

Program Response:

The Maryland Medicaid Program does not concur with recommendations 3 and 4. These claims were correctly paid according to existing Program policy and are not subject to recovery.

Additional Program Response:

Maryland's State Plan requires the use of Current Procedural Terminology (CPT) which, still does not include triglycerides, creatinine phosphokinase (CPK), and gamma glutamyltransferase (GGT) in their list of automated panel test components. Our present carrier, TrailBlazer, did not ever publish a Medicare list of Automated Multichannel Tests which included triglycerides, CPK, and GGT until the 1996 Laboratory Fee Schedule.

The Maryland Medicaid Program allows the use of code 80002,"**1 or 2** clinical chemistry test(s)" **but** sets a maximum reimbursement equivalent to **one** chemistry test. This means that on Page 2 of appendix A in sample No. 8, the audited amount should be $8.00.

Panel billing limitations are specimen specific. It is entirely possible to have duplicate tests, panels, and tests that duplicate panel components on the same or different invoices for the same recipient on the same date of service. Such occurrences require Medicaid review and edit override in order to be reimbursed.

If you have any questions, please contact Mr. Kenneth Smoot, Deputy Director, Medical Care Compliance & Finance Administration, 201 West Preston Street, Baltimore, MD 21201 at (410) 767-5186.

Sincerely,

Martin P. Wasserman, M.D., J.D.
Secretary

MPW/ml

cc: Mr. Joseph M. Millstone
Mr. Kenneth Smoot
Mr. Lawrence P. Triplett