

Audit of Laboratory Services



2017-12

June 13, 2019



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To: Utah Department of Health

Please see the attached report, *Audit of Laboratory Services-Quest Diagnostics, Report 2017-12*. An Executive Summary is included at the inception of this report. The objectives and scope of the audit are explained on page 3 of this report.

Sincerely,

Gene Cottrell
Inspector General
Utah Office of Inspector General

CC: J. Stuart Adams, President of the Utah Senate
Brad Wilson, Speaker of the Utah House of Representatives
Justin Harding, Chief of Staff, Office of Governor Gary R. Herbert
Joseph Miner, MD, Executive Director, Utah Department of Health
Nathan Checketts, Deputy Director, Utah Department of Health, Division Director, Medicaid & Health Financing
Emma Chacon, Utah Medicaid Division Operations Director
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EXECUTIVE SUMMARY

The Utah Office of Inspector General (UOIG) conducted an audit of Fee-for-Service Laboratory claims, adjudicated and paid by the Utah Division of Medicaid and Health Financing (DMHF) system within calendar year 2016. The audit consisted of: (1) claims submitted by and paid to three laboratories. (2) Documentation¹ requested from the three laboratories for claims submitted and paid. (3) Documentation requested from the Medical Provider (Referring Provider) that referred the laboratory test work to the respective laboratory for laboratory testing. Medical Provider (Referring Provider) medical records served as a verification of the information received from the three laboratories for claims submitted by the respective laboratories.

The Utah Office of Inspector General, Data Scientist prepared an internal report focusing on Laboratory Outliers. From this report, the UOIG selected three laboratories based on the common ownership of all three. The laboratories audited were Quest Diagnostics, LabOne, and MetWest. All three laboratories operated under the DMHF system with individual Medicaid Provider numbers, as separate entities, for the audit period. Preliminary research by UOIG disclosed Quest Diagnostics Corporation had acquired ownership of LabOne and MetWest prior to audit. Each laboratory submitted claims separately under unique provider numbers during the audit period.

Audit Objectives:

- Evaluate the claims for documentation of medical necessity and appropriateness for the adequate diagnosis of treatment for the patient's illness.
- Evaluate the claims for possible unbundling of billings.
- Evaluate the claims for possible overbilling for un-needed or not ordered laboratory tests.
- Evaluate the claims for compliance with all Utah DMHF laboratory requirements.

Audit Findings:

- Finding #1 laboratory test performed without an order.
- Finding #2 laboratory test billed but not performed.

Audit Observation

- Observation #1 Requested Documentation not received.

¹A provider's response to a request for records shall include the complete record of all services and supporting services for which reimbursement is claimed. 4/16/2019 Utah Office of Administrative Rules, R30-1-5(b)

Conclusion:

The audit concludes the three Laboratories submitted claims to Utah DMHF Medicaid without having maintained proper documentation. The audit further concludes that Laboratory claims submitted and paid to an audited Laboratory did not meet minimal medical requirements based on the submitted documentation.

INTRODUCTION

BACKGROUND

The UOIG conducted an audit of Fee-for-Service laboratory claims adjudicated and paid by the Utah DMHF system within the calendar year 2016. The audit consisted of: (1) claims submitted by and paid to three laboratories. (2) Documentation² requested from the three laboratories for the claims submitted and paid. (3) Documentation requested from the Medical Provider (Referring Provider) that referred the laboratory test work to the respective laboratory for laboratory testing.

Utah Medicaid Provider Manual, Laboratory Services, Section 2, Item 6, Laboratory Coding Overview: Documentation must be an order citing what test, how many units of the test or analytics, a preferred methodology, and a medically necessary reason for all testing. Documentation in the patient record must support the codes on the claim. Diagnoses must support the laboratory testing on the claim.

The documentation supporting order served as a verification of the tests requested. Evaluations done for a determination if the tests were medically necessary and performed by the laboratory as requested by the physician. Reviewed for possible unbundling of services, the act of billing for individual charges normally bundled into a single billing. (See audit objectives below)

The Utah Office of Inspector General, Data Scientist prepared an internal report on Laboratory Outliers. Three laboratories appearing on the report have common ownership. The three laboratories selected for audit had these factors: common ownership and claims that differ from similar laboratory data submitted and paid.

The laboratories audited were Quest Diagnostics, LabOne and MetWest. All three laboratories operated under the Utah DMHF system with individual Medicaid Provider numbers as separate entities for the audit period despite having common ownership. Preliminary research performed by the UOIG at the beginning of the audit disclosed Quest Diagnostics Corporation acquired ownership of LabOne and MetWest prior to the audit.

FUNDING SOURCE

“Medicaid is funded by a share of both federal and state funds” (Utah Annual Report of Medicaid & CHIP 2016 pg. 7). Funding share based on the Federal Medicaid Assistance Percentage (FMAP). For the scope of the audit, the funding overlaps two State fiscal years. The first half of the audit year the Federal percentage is 71%, State percentage is 29%. The second half of the audit year the Federal percentage is 70%, State percentage is 30% of program funding.

Laboratory claims fall under DMHF Medicaid Mandatory programs. DMHF does not specify a program budget source designated for Laboratory claims funding. (Utah Annual Report of Medicaid & CHIP 2016 pg. 6).

² A provider’s response to a request for records shall include the complete record of all services and supporting services for which reimbursement is claimed. 4/16/2019 Utah Office of Administrative Rules, R30-1-5(b)

OBJECTIVES

The primary objectives of the audit are as follows:

Objectives:

- Evaluate the claims for documentation of medical necessity and appropriateness for the adequate diagnosis for treatment of the patient's illness.
- Evaluate the claims for possible unbundling of billings.
- Evaluate the claims for possible overbilling for un-needed or not ordered laboratory tests.
- Evaluate the claims for compliance with all Utah DMHF Laboratory and Provider requirements.

AUDIT SCOPE

The audit scope covered paid laboratory claims for calendar year 2016 submitted by the three laboratories and adjudicated by Utah DMHF.

METHODOLOGY

To evaluate paid laboratory claims requested from, and submitted by, the three laboratories, UOIG preformed the following functions:

- Researched laboratory claims processing by Utah DMHF.
- Obtained adjudicated paid claims information submitted to Utah DMHF for the scope period. A UOIG Data Scientist performed the data pull.
- Determined a random sample of claims for audit as well as focused claims of recipients on more than one of the three laboratories claims data pull. A UOIG Data Scientist performed the random sample selection of claims.
- Requested and obtained Documentation from the three laboratories and referring providers' documentation supporting orders for the scope period based on the sampling stated.
- Compared and matched the paid Laboratory claims from the three laboratories to the Documentation records received from the Medical provider who referred the laboratory test to the respective laboratory for laboratory testing.
- Match all paid claims data, laboratory Documentation and referring provider Documentation. Supply the information to a licensed UOIG Nurse Investigator for an examination and evaluation based on the audit objectives stated for medical necessity, appropriateness, possible unbundling, justification of claims to all documentation and compliance to all Utah DMHF Laboratory and Provider requirements.
- Evaluation of the Utah DMHF claims to all documentation based on audit objective performed and documented by a licensed UOIG Nurse Investigator.
- Reviewed licensed UOIG Nurse Investigator Evaluations based on criteria from audit objectives, determining type of issues found if any.

Evaluations performed on each Transaction Control Number (TCN) claim submitted by the respective laboratories and performed by a licensed UOIG Nurse Investigator, consisted of

reviewing each claim for the (1) medical necessity of the test and appropriateness of diagnosis of the test. Reviewing for (2) possible unbundling of the claims and billing for multiple individual tests that should be bundled into a single billing. Reviewing each claim for (3) possible overbilling or billing for tests not needed or tests not ordered by the requesting physician. Reviewing each claim (4) for compliance with DMHF Medicaid claims requirements. See DMHF policy, Physicians Services, 8-10 Laboratory Services.

The total TCN records identified in the data pull is one-thousand-nine-hundred-seventy-two (1,972). The UOIG requested random and focused samples of five-hundred-sixty-two (562) TCN records documentation for examination from the three laboratories. Some of the Medicaid recipients had claims from two or three laboratories; the UOIG requested all claims documentation for those individuals as the focused sample. The audit consisted of twenty-eight percent (28%) of all claims from the data pull selected for examination. With the use of a random and focused sample, a good representation of the data population became part of the audit. With the large number of samples requested the confidence interval or margin of error of 4.13 was achieved which represents a very low possible error rate.

LabOne had a documentation request for three-hundred-twenty-eight (328) records. From that request, the UOIG received two-hundred-ninety-six (296). The Medicaid provider failed to submit thirty-two (32) records of documentation. LabOne had a received rate of 90%.

MetWest had a documentation request for two-hundred-eleven (211) records. From the request, the UOIG received one-hundred-thirty-eight (138). The Medicaid provider failed to submit seventy-three (73) records of documentation. MetWest had a received rate of 65%.

Quest Diagnostics had a documentation request for twenty-three (23) records. From the request, the UOIG received eighteen (18). The Medicaid provider failed to submit five (5) records of documentation. Quest Diagnostics had a received rate of 78%.

The total percentage of records documentation not received for all three laboratories combined is 20% of the random and focused sample selected for audit. This resulted in 20% of the claims not being available for review or evaluation for the audit. This will also result in a possible recovery of the amount paid to the laboratory provider of Medicaid services.

In preparation for the records documentation request, UOIG Administrative staff verified mailing addresses of the three laboratories for the records request in the Utah Medicaid Managed Care system (MMCS). Mailing addresses within MMCS had the original, separate mailing addresses for the three separate entities. The original request used those addresses. UOIG did not receive any response from the original records request from all three laboratories within the 30-day time limit.

UOIG discovered that because of the purchase of LabOne and MetWest by Quest Diagnostics all medical records requests required re-mailing to a Pennsylvania address. The Medicaid provider failed to update PRISM/MMCS, in accordance with the Provider Agreement; therefore, the system did not have the correct current mailing address. The lack of an updated address caused delays in receiving records from the three laboratories and a delay in the audit process. Verbal notice issued by the UOIG informed the laboratory providers of the need to update Utah DMHF with current mailing addresses.

Two claims submitted to DMHF by LabOne, with records documentation provided and reviewed had payment findings (see findings #1 & #2). The claim findings will result in a possible recovery of the amount paid to the laboratory provider of Medicaid services.

Health Insurance Portability and Accountability Act (HIPAA) requirements on Protected Health Information (PHI) of Medicaid recipients, limits disclosure of medical information. The UOIG forwarded claims information to the UOIG Medicaid Program Integrity Section for possible collection purposes only.

CONCLUSION

The audit concludes the three audited laboratories submitted claims to Utah DMHF for payment that did not comply to the Medicaid standards and requirements. All laboratory claims submitted for payment are required to have documentation on file with each submitting Medicaid provider (laboratory), per DMHF policy, General Information 4-2 and 4-4. The documentation must show medical reasoning of the submitted claim per DMHF policy, General information 4-5. Twenty percent (20%) of the claims records requested did not have documentation submitted for audit.

Two laboratory claims submitted to and paid by DMHF, reviewed as part of the audit found the documentation did not comply with requirements per DMHF policy, General information 11-2. Claims should not contain billings for tests not ordered by a physician or claims for tests not performed by the laboratory. The basis for this conclusion is from audit objectives: (a) Evaluation of claims for medical necessity and appropriateness for adequate diagnosis and treatment and the objective (b) of possible overbilling for un-needed or not ordered laboratory tests per DMHF policy, Laboratory Services 4-1. Claims not in compliance with DMHF Medicaid policy are subject to recovery and collection from the Laboratory provider submitting the Medicaid claim.

FINDING 1

Laboratory test performed without an order

Utah DMHF Medicaid Provider Manual, Laboratory Services Section 5-2 Limitations item 10 “The specific test must be ordered for reimbursement.”

UOIG licensed Nurse Investigator performed an evaluation using all three data sources stated in the methodology for review and analysis of each paid claim. The nurse evaluation determined that an order from the Medical Provider (referring provider) did not include the test performed and billed to DMHF. One claim in the sampling audited had this type of finding, the audit was unable to prove or disprove intentions of the billing laboratory provider. An expansion of the sampling to the entire population may increase the number of findings but would not be cost effective for the scope of this audit.

LabOne should not bill DMHF for tests performed but not ordered by the Medical Provider (Referring Provider). The paid claim would be subject to possible collection from the paid Laboratory Provider.

The UOIG Program Integrity Section will perform the possible collection process. Utah DMHF will receive any funds collected by the Program Integrity Section of the UOIG.

Laboratory providers contract with DMHF with an understanding they only bill Utah DMHF for services rendered and render only the services requested by the referring provider. Provider Agreement for Medicaid: I. “Department agrees to: Item #6 When a Provider’s billing or coding practices have come under scrutiny of Department or its agent, the State shall inform Provider of a tentative finding that billing or coding practice has resulted in an under of overpayment to Provider.” Item #7 ...“Department agrees to properly train personnel to assure that judgments about proper coding are reasonable and justified.” Reference to the Medicaid Provider Training and Medicaid Website Training.³

Recommendations

1.1 UOIG recommends reeducation of all laboratory providers to the requirements in billing DMHF.

³ “Provider Agreement Medicaid.” 2011. Accessed February 28, 2019. <https://medicaid.utah.gov/Documents/pdfs/agreement2011.pdf>

FINDING 2

Laboratory test billed but not performed

Utah DMHF Medicaid Provider Manual Section 1 General Information, 11-2 Unacceptable billing practices, bullet #1, Duplicate billing or billing for services not provided.

UOIG licensed Nurse Investigator performed an evaluation using all three data sources stated in the methodology for review and analysis of each paid claim. The nurse evaluation determined that a DMHF paid claim included billing for a laboratory test not performed by LabOne but billed to and paid by DMHF. The medical records examined indicate a laboratory test was requested by the Medical Provider (referring Provider), but the laboratory did not perform the requested paid test per the medical records and claim submitted. One claim in the sampling audited had this type of finding, the audit was unable to prove or disprove intentions of the billing laboratory provider. An expansion of the sampling to the entire population may increase the number of findings but would not be cost effective for the scope of this audit.

LabOne should not bill DMHF for tests requested by the Medical Provider (Referring Provider) but not performed by the laboratory. The paid claim would be subject to possible collection from the paid Laboratory Provider.

The UOIG Program integrity Section will perform the possible collection process. Utah DMHF will receive any funds collected by the Program Integrity Section of the UOIG.

Laboratory providers contract with DMHF with an understanding they only bill Utah DMHF for actual services rendered. Provider Agreement for Medicaid: I. "Department agrees to: Item #6 When a Provider's billing or coding practices have come under scrutiny of Department or its agent, The State shall inform Provider of tentative finding that billing or coding practice has resulted in an under of overpayment to Provider." Item 7..."Department agrees to properly train personnel to assure that Judgments about proper coding are reasonable and justified." Reference to the Medicaid Provider Training and Medicaid Website Training.⁴

Recommendations

2.1 OIG recommends reeducation of all laboratory providers to the requirement in billing DMHF.

⁴ "Provider Agreement Medicaid." 2011. Accessed February 28, 2019. <https://medicaid.utah.gov/Documents/pdfs/agreement2011.pdf>

Utah DMHF Medicaid Provider Manual Section I: General Information 4-2, "Medicaid Providers are required to Maintain for a minimum of five years all records necessary to document and disclose fully the extent of all services provided to Medicaid members and billed, charged or reported to the State under Utah's Medicaid Program". DMHF Utah Medicaid Provider Manual Section I: General Information 4-4 "...a provider cannot provide adequate records for reimbursed services; the services shall be deemed undocumented. The Department will recover payment for undocumented services."

The UOIG made documentation requests on claims submitted by LabOne, MetWest and Quest Diagnostics. Five-hundred-sixty-two (562) TCN, Utah Medicaid claims records requested. Documentation requested and not received total one-hundred-ten (110) TCN Utah Medicaid claims from the three laboratories combined.

- LabOne did not provide documentation on thirty-two (32) TCN Medicaid claims.
- MetWest did not provide documentation on seventy-three (73) TCN Medicaid claims.
- Quest Diagnostics did not provide documentation on five (5) TCN Medicaid claims.

The total percentage of records not received for all three laboratories combined is 20% of the random and focused sampling requested for the audit. Based on the DMHF policy on undocumented claims the said claims are subject to possible collection from the Laboratory providers.

The UOIG Program Integrity Section will perform the collection process. Utah DMHF will receive any funds collected by the Program Integrity Section of the UOIG.

Laboratory Providers contract with DMHF with an understanding of policy on maintaining medical records documentation on all Medicaid claims submitted for payment. Provider Agreement for Medicaid: II. Provider agrees to: Records: "Maintain all records for services rendered under this agreement to fully disclose the extent of services related to billed charges or claims for a minimum of five (5) years after the date of service." I. Department agrees to: Item #7...."Department shall actively monitor the billing practices of providers and offer training and technical assistance to providers on the normal and customary billing practices of other providers, to allow providers to avoid good faith mistakes in billing practices."⁵

Recommendations

1.1 UOIG recommends reeducation of all laboratory providers to the records retention requirement.

⁵ "Provider Agreement Medicaid." 2011. Accessed February 28, 2019. <https://medicaid.utah.gov/Documents/pdfs/agreement2011.pdf>

GLOSSARY OF TERMS

<u>Term</u>	<u>Description</u>
DMHF	Division of Medicaid and Health Financing
DOH	Department of Health
FMAP	Federal Medicaid Assistance percentage
HIPAA	Health Insurance Portability and Accountability Act of 1996
MMCS	Medicaid Managed Care system
PHI	Protected Health Information
TCN	Transaction Control Number
UOIG	Utah Office of Inspector General

MANAGEMENT RESPONSE



State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Utah Department of Health

JOSEPH K. MINER, MD, MSPH, FACP
Executive Director

Division of Medicaid and Health Financing

NATE CHECKETTS
Deputy Director, Utah Department of Health
Director, Division of Medicaid and Health Financing

June 20, 2019

Gene Cottrell
Inspector General
Office of the Inspector General of Medicaid Services
P.O. Box 14103
Salt Lake City, Utah 84114

Dear Mr. Cottrell:

Thank you for the opportunity to respond to the audit entitled *Audit of Laboratory Services* (Report 2017-12). We appreciate the effort and professionalism of you and your staff in this review. Likewise, our staff spent time collecting information for your review, answering questions, and planning changes to improve the program. We believe that the results of our combined efforts will make a better, more efficient program.

We concur with the recommendations. The Department of Health is committed to the efficient and effective use of taxpayer funds and values the insight this report provides on areas that need improvement.

Sincerely,

A handwritten signature in blue ink that reads "Nate Checketts".

Nate Checketts
Deputy Director, Department of Health
Division Director, Medicaid and Health Financing



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Response to Recommendations

Recommendation 1.1

UOIG recommends reeducation of all laboratory providers to the requirements in billing DMHF.

Department response:

We concur with this recommendation. The Department will add an article to future Medicaid Information Bulletins reminding all providers of key requirements related to billing practices and records retention.

Contact: Krisann Bacon, Assistant Bureau Director, Bureau of Coverage and Reimbursement Policy, 801-538-6149

Implementation Date: October 1, 2019

Recommendation 2.1

OIG recommends reeducation of all laboratory providers to the requirement in billing DMHF.

Department response:

We concur with this recommendation. The Department will add an article to future Medicaid Information Bulletins reminding all providers of key requirements related to billing practices and records retention.

Contact: Krisann Bacon, Assistant Bureau Director, Bureau of Coverage and Reimbursement Policy, 801-538-6149

Implementation Date: October 1, 2019

Recommendation 1.1 (Under Observation 1)

UOIG recommends reeducation of all laboratory providers to the records retention requirement.

Department response:

We concur with this recommendation. The Department will add an article to future Medicaid Information Bulletins reminding all providers of key requirements related to billing practices and records retention.

Contact: Krisann Bacon, Assistant Bureau Director, Bureau of Coverage and Reimbursement Policy, 801-538-6149

Implementation Date: October 1, 2019

EVALUATION OF MANAGEMENT RESPONSE

The UOIG accepts the Management Response issued by the Utah Department of Health, Division of Medicaid and Health Financing. We are satisfied that the course of action complies with the recommendations to create and execute a Medicaid Information Bulletin(MIB) for Provider Training of key requirements related billing practices and records retention.

UTAH OIG CONTACTS AND STAFF ACKNOWLEDGEMENT

UTAH OIG CONTACT



UTAH OIG MISSION STATEMENT

Dennis Hooper
Auditor CIGA

Neil Erickson
Audit Manager

The Utah Office of Inspector General of Medicaid Services, on behalf of the Utah Taxpayer, will comprehensively review Medicaid policies, programs, contracts and services in order to identify root problems contributing to fraud, waste, and abuse within the system and make recommendations for improvement to Medicaid management and the provider community.

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