REPORT HIGHLIGHTS

June 2026 | OAS-25-01-076

California Claimed at Least $13.9 Million More in Medicaid Reimbursements for Clinical Diagnostic Laboratory Services Than Was Allowed by Federal and State Requirements

Why OIG Did This Audit

- Prior OIG audits found that some States did not always claim Federal Medicaid reimbursement for clinical diagnostic laboratory services in accordance with Federal and State requirements. Specifically, the States submitted claims that exceeded the amounts that would have been paid under the Medicare program or the amounts allowed by State requirements.
- We performed this audit because a recent OIG data analysis indicated that certain States, including California, are at risk for noncompliance with Federal and State requirements.
- This audit examined California's fee-for-service Medicaid payments for clinical diagnostic laboratory services provided during calendar years 2019 through 2023.

What OIG Found

California did not always claim Federal Medicaid reimbursement for clinical diagnostic laboratory services in accordance with Federal and State requirements.

- For 2,186,277 of the 3,123,613 services that we reviewed from a larger universe of claims, California paid providers more than they would have been paid under the Medicare program or the amounts allowed by State requirements.
- Additionally, for 211,171 services, California potentially paid providers more than they would have been paid under the Medicare program or the amounts allowed by State requirements.

These overpayments occurred because the State agency did not follow its procedures for reviewing and updating laboratory rates in its claims processing system. The State agency attributed this oversight to a clerical error. As a result, the Federal reimbursement that California claimed exceeded the rates allowed by the Federal and State requirements by $13.9 million ($7.6 million Federal share) and potentially exceeded the rates allowed by Federal and State requirements by an additional $29.3 million ($16.5 million Federal share).

What OIG Recommends

We made four recommendations, including that California refund $7.6 million to the Federal Government, work with CMS to determine whether the potential overpayments of $16.5 million complied with Federal and State requirements, and strengthen its existing policies and procedures for reviewing and updating rates in its claims processing system. The full recommendations are in the report.

California concurred with all four recommendations.