

**Memorandum**

Date JAN 27 1998

From June Gibbs Brown  
Inspector General *June Gibbs Brown*

Subject Excessive Payments for Pathology and Laboratory Services Under Virginia's Medicaid Program for Calendar Years 1995 and 1996 (A-03-97-00200)

To Nancy-Ann Min DeParle  
Administrator  
Health Care Financing Administration

This is to alert you to the issuance of our final report on Thursday, January 29, 1998. A copy is attached.

The objective of our review was to determine the extent to which the Virginia Department of Medical Assistance Services (State agency) reimbursement for pathology and clinical laboratory services exceeded Medicare fee schedule limits in Calendar Years (CY) 1995 and 1996. Pathology and clinical laboratory tests are performed by providers on a patient's specimen to help physicians diagnose and treat ailments. These tests are identified by the Health Care Financing Administration (HCFA) Common Procedural Coding System under codes 80002 to 89355. Pathology tests involve the study of cells, tissues, or organs. Clinical laboratory services include chemistry, hematology, and urinalysis tests.

Our review disclosed that State agency payments under 330 procedure codes in CY 1995 and 336 procedure codes in CY 1996 exceeded the local Medicare carrier limits. This violates Section 6300 of the State Medicaid Manual which limits Medicaid reimbursements for clinical laboratory tests to no more than amounts recognized by the Medicare program.

For those codes that exceeded Medicare limits, we analyzed the State agency paid claims file for CY 1995 and CY 1996 and determined that the State agency overpaid \$1,727,402 (Federal share \$863,701) in CY 1995 and \$1,491,237 (Federal share \$766,049) in CY 1996. For the 2-year period, the overpayments totaled \$3,218,639 (Federal share \$1,629,750).

We are recommending that the State agency: (1) revise its laboratory fee schedules to conform to Section 6300 of the State Medicaid Manual by limiting its Medicaid reimbursements for laboratory services to those amounts recognized by the Medicare program; (2) implement procedures to monitor changes to Medicare laboratory fee schedules to ensure that Medicaid fees do not exceed Medicare limits; and (3) make a financial adjustment on the Quarterly Report of Expenditures to HCFA for \$1,629,750 that represents the Federal share of CY 1995 and CY 1996 overpayments.

Page 2 - Nancy-Ann Min DeParle

The State agency responded to a draft of this report without commenting on the merits of the findings. The State agency noted that the data presented in the draft report was based on our review of MetraHealth Medicare's fee schedule rates. Virginia, however, is serviced by two Medicare carriers. This necessitated a revision in our methodology to incorporate the fee schedule rates of the second carrier, Xact Medicare Services. Those revisions are reflected in the data presented in this report.

We continue to believe that the State agency should implement our recommendations for procedural improvements and make the appropriate adjustments on its Quarterly Report of Expenditures.

To facilitate identification, please refer to Common Identification Number A-03-97-00200.

For information contact:

Thomas J. Robertson  
Regional Inspector General  
for Audit Services, Region III  
(215) 596-6744

Attachment

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**EXCESSIVE PAYMENTS FOR  
PATHOLOGY AND LABORATORY  
SERVICES UNDER VIRGINIA'S  
MEDICAID PROGRAM FOR CALENDAR  
YEARS 1995 AND 1996**



**JUNE GIBBS BROWN**  
**Inspector General**

**JANUARY 1998**  
**A-03-97-00200**



**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

Our Reference: Common Identification Number A-03-97-00200

Joseph M. Teefey, Director  
Department of Medical Assistance Services  
Commonwealth of Virginia  
600 East Broad Street, Suite 1300  
Richmond, Virginia 23219

Dear Mr. Teefey:

This report presents the results of our review of the Virginia Department of Medical Assistance Services (State agency) reimbursements for pathology and laboratory services under the Medicaid program. The objective of our review was to determine the extent to which the State agency exceeded Medicare fee schedule limits in Calendar Years (CY) 1995 and 1996. This review resulted from a prior review where we found that the State agency paid higher fees than Medicare in CY 1993 and 1994 for many laboratory claims.

Our review disclosed that State agency payments under 330 procedure codes in CY 1995 and 336 procedure codes in CY 1996 exceeded the local Medicare carriers' limits (see Appendix A for a complete listing). This violates Section 6300 of the State Medicaid Manual which limits Medicaid reimbursements for clinical laboratory tests to no more than amounts recognized by the Medicare program. For those codes that exceeded Medicare limits, we analyzed the State agency paid claims file for CY 1995 and CY 1996 and determined that Virginia overpaid \$1,727,402 (Federal share \$863,701) in CY 1995 and \$1,491,237 (Federal share \$766,049) in CY 1996. For the 2 year period, the overpayments totaled \$3,218,639 (Federal share \$1,629,750).

We are recommending that the State agency: (1) revise its laboratory fee schedules to conform to Section 6300 of the State Medicaid Manual by limiting its Medicaid reimbursements for laboratory services to those amounts recognized by the Medicare program; (2) implement procedures to monitor changes to Medicare laboratory fee schedules to ensure that Medicaid fees do not exceed Medicare limits; and (3) make a financial adjustment on the Quarterly Report of Expenditures to the Health Care Financing Administration (HCFA) for \$1,629,750 that represents the Federal share of CY 1995 and CY 1996 overpayments.

The State agency responded to a draft of this report without commenting on the merits of the findings. The State agency noted that the data presented in the draft report was based on our

review of MetraHealth Medicare's fee schedule rates. Virginia, however, is serviced by two Medicare carriers.<sup>1</sup> This necessitated a revision in our methodology to incorporate the fee schedule rates of Xact Medicare Services. Those revisions are reflected in the data presented in this report. 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 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 services such as outpatient clinical laboratory tests. In Virginia, the Department of Medical Assistance Services is the State agency responsible for administering the Medicaid program.

Pathology and laboratory tests are performed by providers on a patient's specimen to help physicians diagnose and treat ailments. These tests are identified by the HCFA Common Procedural Coding System (HCPCS) under codes 80002 to 89355. Pathology tests involve the study of cells, tissues or organs. Laboratory services include chemistry, hematology, and urinalysis tests. Chemistry tests involve the measurement of various chemical levels in blood. Hematology tests measure aspects of blood such as cell counts and clotting times. Urinalysis tests involve physical, chemical or microscopic analysis or examination of urine.

Testing may be performed in a physician's office, a hospital laboratory, or by an independent laboratory. Providers submit claims for laboratory tests performed on Medicaid recipients. Claims processing is the responsibility of the State agency which may process the claims or elect to use an outside fiscal agent.

The HCFA State Medicaid Manual 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

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<sup>1</sup>Xact Medicare Services covers Arlington and Fairfax counties in northern Virginia, Metra Health Medicare covers the rest of Virginia.

Medicare, clinical laboratory tests 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.

This review resulted from our *Review of Clinical Laboratory Services Under Virginia's Medicaid Program for Calendar Years 1993 and 1994 (Common Identification Number A-03-96-00202)*. In that report, we noted that the State agency paid higher fees than the Virginia Medicare carrier (MetraHealth Medicare, formally Travelers) in 24 of 50 chemistry claims and 28 of 50 urinalysis claims.

#### **SCOPE OF AUDIT**

Our review was conducted in accordance with generally accepted government auditing standards. The objective of this review was to determine the extent to which the State agency exceeded Medicare fee schedule limits in CY 1995 and 1996.

To accomplish our objective, we compared State agency Medicaid fee schedules to the Medicare fee schedules provided by Virginia's Medicare carriers, MetraHealth Medicare and Xact Medicare Services, for pathology and laboratory services identified under HCPCS codes 80002 to 89355. For those State services that exceeded Medicare limits in CY 1995 and CY 1996, we determined the effect on Medicaid payments as follows:

- ▶ We extracted all claims for services performed by physicians and independent laboratories in CY 1995 and CY 1996 from the Medicaid paid claims file for CY 1995 and CY 1996.
- ▶ We computed the Medicare payment by multiplying the number of Medicaid services per HCPCS code by the Medicare fee schedule amount. Medicare payments were adjusted to reflect third-party payments or co-payments.
- ▶ We then calculated the difference on each claim between Medicaid and Medicare.
- ▶ We summarized the differences to determine the total amount the State agency paid in excess of Medicare.
- ▶ We verified the accuracy of the paid claims file by validating a random sample of 100 paid claims to the related source documentation (see Appendix B for the Sample Methodology). A random sample was selected for claims paid in CY 1995 and CY 1996. We performed our review during November 1996, June 1997, and December 1997. During these periods, we visited the State agency office in Richmond, Virginia.

## RESULTS OF REVIEW

Our review disclosed that Virginia overpaid \$1,727,402 (Federal share \$863,701) in CY 1995 for 1,284,503 claims (an average of \$1.34 per claim). In CY 1996, Virginia overpaid \$1,491,237 (Federal share \$766,049) for 982,191 claims (an average of \$1.52 per claim). This was caused by State agency payments under 330 procedure codes in CY 1995, and 336 procedure codes in CY 1996 that exceeded the local Medicare carrier limits (see Appendix A for a complete listing). These payments violate Section 6300 of the State Medicaid Manual which limits Medicaid reimbursements for clinical laboratory tests to no more than amounts recognized by the Medicare program.

Specific examples of overpayments in CY 1995 and CY 1996 are shown in the following table. These claims were validated as part of our sample.

**Table 1. Examples of Medicaid Overpayments in CY 1995 and CY 1996**

| Procedure Code | VA Payment Reference No | Payment Date | Medicaid Payment | Medicare Limit | Overpayment |
|----------------|-------------------------|--------------|------------------|----------------|-------------|
| 83518          | 7016712436              | 01-24-97     | \$20.33          | \$4.60         | \$15.73     |
| 88151          | 5265712574              | 10-06-95     | \$16.24          | \$7.32         | \$8.92      |
| 87178          | 5038715700              | 02-17-95     | \$19.50          | \$12.13        | \$7.37      |
| 83892          | 6275732828              | 10-11-96     | \$8.76           | \$5.27         | \$3.49      |
| 86900          | 5089030980              | 04-07-95     | \$6.25           | \$4.22         | \$2.03      |
| 80018          | 6320232661              | 12-06-96     | \$16.55          | \$14.71        | \$1.84      |

In both CY 1995 and CY 1996, the same 15 tests accounted for at least half of the overpayments. In CY 1995, payments for these 15 tests totaled \$984,929 or 57 percent of the overpayments. In CY 1996, payments for these 15 tests totaled \$739,000 or 50 percent of the overpayments. The 15 tests are shown in the following table.

**Table 2. Overpayments for Top 15 Tests in CY 1995 and CY 1996**

| Code         | Type of Test - Description                                                                                                                                                                                                                    | CY 1995          | CY 1996          |
|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| 87178        | <b>Microbiology</b> - Microbial identification, nucleic acid probes, each probe used                                                                                                                                                          | \$400,171        | \$200,333        |
| 83518        | <b>Chemistry</b> - Immunoassay for analyte other than antibody or infectious agent antigen, qualitative or semiquantitative; single step method                                                                                               | 74,883           | 67,028           |
| 81000        | <b>Urinalysis</b> - Urinalysis by dip stick or tablet reagent for bilirubin, glucose, hemoglobin, ketones, leukocytes, nitrite, pH, protein, specific gravity, urobilinogen, any number of these constituents; non-automated, with microscopy | 60,178           | 49,405           |
| 83892        | <b>Molecular Diagnostic</b> - Nuclear molecular diagnostics; enzymatic digestion                                                                                                                                                              | 54,646           | 35,444           |
| 80019        | <b>Automated Multichannel</b> - 19 or more chemistry tests                                                                                                                                                                                    | 53,804           | 53,885           |
| 80007        | <b>Automated Multichannel</b> - 7 clinical chemistry tests                                                                                                                                                                                    | 47,190           | 49,543           |
| 80018        | <b>Automated Multichannel</b> - 17 or 18 chemistry tests                                                                                                                                                                                      | 42,282           | 42,928           |
| 88235        | <b>Cytogenetic Study</b> - Tissue culture for chromosome analysis: amniotic fluid or chorionic villus cells                                                                                                                                   | 39,043           | 34,388           |
| 80061        | <b>Organ or Disease Panel</b> - Lipid panel                                                                                                                                                                                                   | 35,725           | 37,099           |
| 81025        | <b>Urinalysis</b> - Urine pregnancy test, by visual color comparison methods                                                                                                                                                                  | 33,388           | 30,537           |
| 88151        | <b>Cytopathology</b> - Smears, cervical or vaginal, up to three smears; requiring interpretation by physician                                                                                                                                 | 33,102           | 32,320           |
| 81002        | <b>Urinalysis</b> - same as 81000 except without microscopy                                                                                                                                                                                   | 32,656           | 33,803           |
| 84703        | <b>Gonadotropin</b> - Chorionic (hCG); qualitative                                                                                                                                                                                            | 27,785           | 24,710           |
| 86900        | <b>Blood Typing</b> - ABO                                                                                                                                                                                                                     | 25,730           | 23,401           |
| 88156        | <b>Cytopathology</b> - Smears, cervical or vaginal, (the Bethesda System (TBS)), up to three smears; screening by technician under physician supervision                                                                                      | 24,346           | 24,176           |
| <b>Total</b> |                                                                                                                                                                                                                                               | <b>\$984,929</b> | <b>\$739,000</b> |

Although the average claim was overpaid by \$1.34 in 1995 and \$1.52 in 1996, we identified 28 procedure codes that exceeded the local Medicare carrier limits by least \$10 per code. For one code, 88289 (chromosome analysis), the State exceeded the Medicare limit by \$170.03 in 1995 and \$171.17 in 1996. The 28 codes are listed in the following table.

**Table 3. Procedure Codes Exceeding Medicare Limits by at Least \$10**

| Procedure Code | 1995 - Excess \$ Amount | 1996 - Excess \$ Amount |
|----------------|-------------------------|-------------------------|
| 82130          | (M) 79.45 - (X) 92.88   | (M) 80.34 - (X) 92.18   |
| 82553          | (X) 10.26               | N/A                     |
| 82627          | 40.54                   | 41.27                   |
| 82787          | 19.94                   | 21.05                   |
| 83499          | (X) 20.10               | (X) 19.57               |
| 83518          | (M) 15.86               | (M) 15.73               |
| 83519          | (M) 16.88               | 17.33                   |
| 84140          | N/A                     | 10.30                   |
| 84143          | 32.77                   | 33.53                   |
| 84181          | 43.65                   | 44.21                   |
| 86003          | N/A                     | 11.35                   |
| 86005          | N/A                     | (X) 20.85               |
| 86311          | (M) 10.52               | (M) 10.13               |
| 86359          | N/A                     | (X) 10.75               |
| 86360          | 20.85                   | 22.39                   |
| 86658          | (M) 12.84               | 13.28                   |
| 86671          | 34.26                   | 34.69                   |
| 86688          | (M) 61.18 - (X) 66.17   | (M) 61.62 - (X) 65.78   |
| 86805          | (M) 13.01 - (X) 42.93   | (M) 14.74 - (X) 41.70   |
| 86807          | 23.00                   | 24.31                   |
| 86808          | 63.60                   | 64.58                   |
| 88230          | (M) 81.01               | (M) 79.08               |
| 88235          | (M) 81.01               | (M) 79.08               |
| 88262          | 35.31                   | 39.44                   |
| 88263          | N/A                     | 12.32                   |
| 88283          | (X) 27.94 - (M) 64.10   | (X) 30.21 - (M) 62.39   |
| 88289          | 170.03                  | 171.17                  |
| 89330          | (M) 48.99               | 49.32                   |

**Key: M= MetraHealth Medicare only, X = XACT Medicare Services only, all others both**

## CONCLUSIONS AND RECOMMENDATIONS

The State agency overpaid providers because it exceeded Medicare limits in its reimbursements of pathology and laboratory services. Our review disclosed that State agency payments under 330 procedure codes in CY 1995 and 336 procedure codes in CY 1996 exceeded the local Medicare carrier limits. This practice violates Section 6300 of the State Medicaid Manual which limits Medicaid reimbursements for clinical laboratory tests to no more than amounts recognized by the Medicare program.

For those codes that exceeded Medicare limits, we analyzed the State agency paid claims file for CY 1995 and determined that Virginia overpaid \$1,727,402 (Federal share \$863,701) in CY 1995 and \$1,491,237 (Federal share \$766,049) in CY 1996. For the 2 year period, the overpayments totaled \$3,218,639 (Federal share \$1,629,750). We recommend that the State agency:

1. Revise its laboratory fee schedules to conform to Section 6300 of the State Medicaid Manual by limiting its Medicaid reimbursements for laboratory services to those amounts recognized by the Medicare program;
2. Implement procedures to monitor changes to Medicare laboratory fee schedules to ensure that Medicaid fees do not exceed Medicare limits; and
3. Make a financial adjustment on the Quarterly Report of Expenditures to HCFA for \$1,629,750 that represents the Federal share of CY 1995 and CY 1996 overpayments.

## STATE AGENCY RESPONSE AND OIG COMMENTS

The State agency responded to a draft of this report without commenting on the merits of the findings. The State agency noted that the data presented in the draft was based on MetraHealth Medicare's fee schedule rates only. The State agency stated, however, that Virginia is serviced by two Medicare carriers. This necessitated a revision in our methodology to incorporate the fee schedule rates of Xact Medicare Services. The data presented in this final report was based on the fee schedule rates of both carriers.

The State agency also wished to determine which Medicare rates we used in our analysis. We used the Medicare fee schedule rates published by the carriers and effective on January 1 of each year. The only changes we made to the Medicare rates were to account for adjustments made to the Medicaid claim under review, e.g., third-party payment or co-payments. A summary of the data analysis is presented on page 3. Examples of our analysis are presented in Table 1 on page 4. The State Agency's complete comments are contained in Appendix C.

Page 8 - Joseph M. Teefey, Director

We believe the State agency should implement our recommendations for procedural improvements and make the appropriate adjustments on its Quarterly Report of Expenditures. Our recommendations are consistent with the State Medicaid Manual guidelines. These guidelines implement section 1903(i)(7) of the Social Security Act (Act) which limits reimbursement for clinical laboratory services under the Medicaid program to that amount that would be recognized by Medicare under Section 1833(h) of the Act.

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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

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

| CODES ON THE 1995 AND 1996 FEE SCHEDULES |       |       |       |           |           |
|------------------------------------------|-------|-------|-------|-----------|-----------|
| 80002                                    | 80170 | 82013 | 82376 | 82670     | 83030     |
| 80003                                    | 80174 | 82024 | 82378 | 82671     | 83036     |
| 80004                                    | 80178 | 82040 | 82380 | (X) 82672 | (X) 83050 |
| 80005                                    | 80182 | 82044 | 82382 | 82679     | 83068     |
| 80006                                    | 80184 | 82085 | 82435 | (X) 82715 | 83499     |
| 80007                                    | 80185 | 82105 | 82441 | 82728     | (*) 83518 |
| 80008                                    | 80186 | 82106 | 82465 | 82746     | (*) 83519 |
| 80009                                    | 80188 | 82130 | 82480 | 82776     | (*) 83520 |
| 80010                                    | 80190 | 82140 | 82525 | 82784     | 83540     |
| 80011                                    | 80192 | 82143 | 82533 | 82785     | 83550     |
| 80012                                    | 80194 | 82150 | 82540 | 82787     | 83586     |
| 80016                                    | 80196 | 82157 | 82552 | 82803     | 83605     |
| 80018                                    | 80198 | 82164 | 82553 | 82938     | 83615     |
| 80019                                    | 80200 | 82172 | 82554 | 82941     | 83625     |
| 80058                                    | 80299 | 82205 | 82565 | 82947     | 83655     |
| 80061                                    | 81000 | 82232 | 82570 | 82948     | 83661     |
| 80091                                    | 81002 | 82250 | 82575 | 82950     | 83662     |
| 80152                                    | 81003 | 82251 | 82585 | 82952     | 83690     |
| (X) 80154                                | 81005 | 82273 | 82607 | 82955     | 83715     |
| 80156                                    | 81007 | 82307 | 82608 | 82962     | 83721     |
| 80160                                    | 81015 | 82308 | 82627 | 82977     | 83735     |
| 80162                                    | 81025 | 82310 | 82634 | 83001     | 83873     |
| 80164                                    | 81050 | 82340 | 82638 | 83002     | 83890     |
| 80168                                    | 82003 | 82374 | 82652 | 83003     | 83892     |

| CODES ON THE 1995 AND 1996 FEE SCHEDULES |           |           |           |           |           |
|------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| 83894                                    | 84300     | 85021     | 85611     | 86331     | (*) 86880 |
| 83896                                    | 84311     | 85022     | 85651     | (*) 86344 | (*) 86885 |
| 83912                                    | 84402     | (X) 85024 | 85730     | 86359     | (*) 86886 |
| 83916                                    | 84403     | 85027     | 86003     | 86360     | (*) 86900 |
| 83930                                    | 84436     | 85030     | 86038     | 86430     | (*) 86904 |
| 83935                                    | 84439     | 85031     | 86039     | 86431     | (*) 86905 |
| 83970                                    | 84443     | (X) 85041 | 86063     | 86615     | 86940     |
| 84060                                    | 84450     | 85044     | 86225     | 86628     | 87072     |
| 84075                                    | 84460     | 85045     | 86226     | 86631     | 87081     |
| 84100                                    | (X) 84466 | 85048     | 86255     | 86632     | 87082     |
| 84105                                    | 84478     | 85244     | 86256     | 86658     | 87083     |
| 84110                                    | 84479     | 85245     | 86277     | 86663     | 87085     |
| 84132                                    | 84520     | 85247     | 86280     | 86671     | 87087     |
| 84133                                    | 84550     | (X) 85300 | 86287     | 86687     | 87088     |
| 84143                                    | 84560     | 85302     | 86289     | 86688     | 87101     |
| 84146                                    | 84620     | 85305     | 86290     | 86695     | 87102     |
| 84155                                    | 84630     | 85345     | 86293     | 86701     | (X) 87116 |
| 84165                                    | 84681     | 85362     | 86295     | 86710     | 87117     |
| 84181                                    | 84703     | 85421     | 86296     | 86805     | 87118     |
| 84207                                    | 85007     | 85540     | 86310     | 86807     | 87140     |
| 84238                                    | 85008     | 85576     | 86311     | 86808     | 87147     |
| 84244                                    | 85013     | 85590     | (M) 86315 | 86812     | 87151     |
| 84270                                    | 85014     | 85595     | 86320     | 86816     | 87155     |
| 84295                                    | 85018     | 85610     | (X) 86329 | 86817     | 87158     |

| CODES ON THE 1995 AND 1996 FEE SCHEDULES       |           |           |           |           |       |
|------------------------------------------------|-----------|-----------|-----------|-----------|-------|
| (M) 87178                                      | 87192     | 88151     | (M) 88235 | 88283     | 89190 |
| 87179                                          | 87206     | (X) 88156 | 88262     | 88285     | 89300 |
| 87181                                          | 87211     | 88157     | 88263     | 88289     | 89330 |
| 87184                                          | 87250     | (M) 88230 | 88280     | 89051     | 89355 |
| 87188                                          | 88150     |           |           |           |       |
| CODE EXCLUSIVELY ON THE 1995 FEE SCHEDULES     |           |           |           |           |       |
| (X) 82042                                      | 82926     | 83071     | 85441     | (X) 86622 | 87145 |
| 82666                                          | (X) 82943 | 83727     | (X) 86021 | 86821     | 87175 |
| 82757                                          | 83069     | 84087     | 86376     |           |       |
| CODES EXCLUSIVELY ON THE 1996 FEE SCHEDULES    |           |           |           |           |       |
| 80092                                          | 83497     | 84315     | 85348     | (X) 86313 | 86813 |
| 82530                                          | 83498     | 84525     | (M) 85652 | 86327     | 87186 |
| 82693                                          | 84066     | 85292     | (X) 86005 | 86651     |       |
| 82775                                          | 84140     | 85293     | 86308     | 86735     |       |
|                                                |           |           |           |           |       |
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|                                                |           |           |           |           |       |
| KEY                                            |           |           |           |           |       |
| M = METRAHEALTH MEDICARE                       |           |           |           |           |       |
| X = XACT MEDICARE SERVICES                     |           |           |           |           |       |
| * =METRAHEALTH (1995 & 1996), XACT (1996 ONLY) |           |           |           |           |       |

## SAMPLE METHODOLOGY

The objective of our sample was to assure the validity of the 1995 and 1996 Virginia Medicaid paid claims files. This assurance was needed to determine the magnitude of payments made by the Virginia Department of Medical Assistance Services (State agency) in CY 1995 and CY 1996 for pathology and laboratory tests. These tests are identified by HCPCS codes 80002 to 89355. In CY 1995, payments for 330 procedure codes exceeded the amount recognized by the Medicare program. In CY 1996, payments for 336 procedure codes exceeded the amount recognized by the Medicare program.

The population consisted of all instances in which the State agency paid providers for pathology and laboratory tests at a fee that exceeded the amount listed on the Virginia Medicare fee schedule. We printed a listing of all payments for these tests with dates of service in either CY 1995 or CY 1996. In the CY 1995 paid claims file, there were 1,284,503 claims that met this criteria. In the CY 1996 paid claims file, there were 982,191 claims that met this criteria. We sequentially numbered payments for these laboratory tests.

The sample selected from each paid claim file consisted of 100 instances of paid pathology and laboratory tests which the State agency reimbursed at a fee exceeding the Medicare fee for such tests. The random numbers were generated using the United States Department of Health and Human Service, Office of Inspector General, Office of Audit Services Statistical Software.

Each sampling unit was traced to a remittance advice obtained from the State agency. We validated that the information on the remittance advice, including the Medicaid payment, corresponded to the information from the paid claim file.

We found no discrepancies between the information on the remittance advice and the paid claims data. We then totaled the differences between Medicaid payments and Medicare limits and reported population errors totaling \$1,727,402 for claims paid in CY 1995 and \$1,491,237 for claims paid in CY 1996.



# COMMONWEALTH of VIRGINIA

## *Department of Medical Assistance Services*

JOSEPH M. TEEFEY  
DIRECTOR

SUITE 1300  
600 EAST BROAD STREET  
RICHMOND, VA 23219  
804/786-7933  
804/225-4512 (Fax)  
800/343-0634 (TDD)

August 8, 1997

Mr. Thomas J. Robertson  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
Region III  
P.O. Box 13716, Mail Stop 9  
Philadelphia, Pennsylvania 19101

Regarding: Common Identification Number A-03-97-00200

Dear Mr. Robertson:

This is in response to your letter of July 17, 1997, and the draft of the Office of Inspector General's Audit Services report, entitled "EXCESSIVE PAYMENTS FOR PATHOLOGY AND LABORATORY SERVICES UNDER VIRGINIA'S MEDICAID PROGRAM FOR CALENDAR YEARS 1995 and 1996."

My staff has reviewed the draft report. However, we need additional information in order to confirm or reject the findings of the report. First, the report states that Medicaid's rates exceeded Medicare's reimbursement rates for the period reviewed. The information that Medicare provides to us lists different rates for participating and non-participating providers as well as a limiting charge amount. The information lists different rates depending upon geographic location; there are four different locations each with different rates per procedure code.

Also, your letter refers to MetraHealth as the Virginia Medicare carrier. The carrier for Northern Virginia is Xact Medicare Services. We also receive a fee schedule from them periodically, and their reimbursement rates are different from MetraHealth's.

We have been informed by HCFA that Medicaid's rates should not exceed Medicare's "upper limits." We need clarification as to which rate on the fee schedule is considered to be the upper limit.

Mr. Thomas J. Robertson  
August 8, 1997  
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APPENDIX C  
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The following summarizes our questions/concerns regarding the calculation of the overpayment:

- Did you use only rates from MetraHealth?
- If so, did you use different rates depending upon the geographic location of either the provider or recipient?
- Did you use participating, non-participating, or limiting charge rates or the "upper limit" rates? If the upper limit rates were used, please clarify how this information was obtained.

We look forward to receiving further information from you on the above issues. Should you wish to discuss this by telephone, please contact Mr. Jim Cohen, Manager of Program Services. He can be reached at 804-225-4948.

Sincerely,



Joseph M. Teefey

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