

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF LOUISIANA MEDICAID  
PHYSICIAN FAMILY PLANNING SERVICES**



Daniel R. Levinson  
Inspector General

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# ***Office of Inspector General***

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## EXECUTIVE SUMMARY

### BACKGROUND

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the Medicaid program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

Pursuant to section 1905(b) of the Act, the Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time.

Section 1905(a)(4)(C) of the Act requires States to furnish "... family planning services and supplies ... to individuals of child-bearing age (including minors who can be considered to be sexually active) who are eligible under the State plan and who desire such services and supplies ...." Section 1903(a)(5) of the Act and 42 CFR § 433.10(c)(1) authorize reimbursement at an enhanced 90-percent Federal reimbursement rate (90-percent rate) for family planning services.

Section 4270 of the CMS *State Medicaid Manual* states that family planning services include those that prevent or delay pregnancy, or otherwise control family size, and may also include infertility treatments. In addition, this provision generally allows the 90-percent rate for the following items and services: counseling services and patient education; examination and treatment by medical professionals pursuant to States' requirements; devices to prevent conception; and infertility services, including sterilization reversals.

In Louisiana, the Department of Health and Hospitals (State agency) administers the Medicaid program and is responsible for reporting expenditures for Federal reimbursement. During the audit period, from October 1, 2007, through September 30, 2009, the State agency claimed \$16,321,651 (\$14,689,486 Federal share) for physician family planning services at the 90-percent rate. The total Federal share included \$2,191,996 of enhanced reimbursement, which is the difference between the amount the State agency received at the 90-percent rate and the amount it would have received at the FMAPs in effect during our audit period, which ranged from 72.47 percent to 80.75 percent.

### OBJECTIVE

Our objective was to determine whether the State agency's claims processing system properly identified physician family planning services eligible for Federal reimbursement at the 90-percent rate.

## **SUMMARY OF FINDINGS**

The State agency's claims processing system properly identified most physician family planning services eligible for Federal reimbursement at the 90-percent rate. However, we identified two errors. First, the claims processing system erroneously identified certain physician lab tests as family planning services, even though the procedures were not performed for family planning purposes. Second, the claims processing system erroneously identified some other physician services as family planning services based on their diagnosis codes, even though the services provided were clearly not family planning services. As a result, the State agency improperly claimed \$124,006 of enhanced Federal reimbursement for services it incorrectly identified as family planning services. Specifically, the State agency claimed:

- \$105,894 for physician lab tests and
- \$18,112 for other physician services.

The State agency's claims processing system improperly identified these services as family planning services because the State agency did not have adequate policies and procedures to properly identify family planning services eligible for enhanced reimbursement.

## **RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government the \$124,006 Federal share of costs that were inappropriately claimed at the 90-percent rate,
- review the amounts reported as family planning costs before and after our audit period to determine whether any costs were inappropriately claimed at the 90-percent rate and refund any overpayments identified, and
- update its claims processing system so that it properly identifies family planning services that are eligible for enhanced reimbursement.

## **STATE AGENCY COMMENTS**

The State agency agreed with our recommendations and stated that it has identified the procedure codes for the physician lab tests that were incorrectly identified as family planning procedures and updated its claims processing system so that those procedure codes are no longer identified as family planning procedures. The State agency's comments are included in their entirety as the Appendix.

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## INTRODUCTION

### BACKGROUND

#### Medicaid Program

Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the Medicaid program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

Pursuant to section 1905(b) of the Act, the Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income. Although FMAPs are adjusted annually for economic changes in the States, Congress may increase FMAPs at any time.

#### Medicaid Coverage of Family Planning Services

Section 1905(a)(4)(C) of the Act requires States to furnish "... family planning services and supplies ... to individuals of child-bearing age (including minors who can be considered to be sexually active) who are eligible under the State plan and who desire such services and supplies ...." Section 1903(a)(5) of the Act and 42 CFR § 433.10(c)(1) authorize reimbursement at an enhanced 90-percent Federal reimbursement rate (90-percent rate) for family planning services.

Section 4270 of the CMS *State Medicaid Manual* states that family planning services include those that prevent or delay pregnancy, or otherwise control family size, and may also include infertility treatments. In addition, this provision generally allows the 90-percent rate for the following items and services: counseling services and patient education; examination and treatment by medical professionals pursuant to States' requirements; devices to prevent conception; and infertility services, including sterilization reversals.

#### Louisiana's Medicaid Program

In Louisiana, the Department of Health and Hospitals (State agency) administers the Medicaid program and is responsible for reporting expenditures for Federal reimbursement. During the audit period, from October 1, 2007, through September 30, 2009, the State agency claimed \$16,321,651 (\$14,689,486 Federal share) for physician family planning services at the 90-percent rate. The total Federal share included \$2,191,996 of enhanced reimbursement, which is the difference between the amount the State agency received at the 90-percent rate and the amount it would have received at the FMAPs in effect at the time of our audit, which ranged from 72.47 percent to 80.75 percent.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the State agency's claims processing system properly identified physician family planning services eligible for Federal reimbursement at the 90-percent rate.

### **Scope**

Our audit covered claims paid from October 1, 2007, through September 30, 2009. Our review included all services that the State agency identified as physician family planning services. We did not review the services for compliance with Medicaid requirements other than those related to whether the services qualified for the 90-percent rate as family planning services.

We did not perform an overall assessment of internal controls for claiming costs for Federal reimbursement. We limited our review of internal controls to gaining an understanding of the State agency's procedures for claiming Federal reimbursement for family planning services. We performed fieldwork at the State agency in Baton Rouge, Louisiana.

### **Methodology**

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations;
- reviewed the State agency's policies, procedures, and methodology for claiming Medicaid reimbursement for family planning services;
- obtained and reviewed claims data for family planning services that were paid from October 1, 2007, through September 30, 2009;
- reconciled the amounts claimed for Federal reimbursement at the 90-percent rate for family planning services on the State agency's Form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program, with claim data;
- gained an understanding of how the State agency's claims processing system identified family planning services; and
- worked with State agency officials to identify services that were improperly claimed as family planning services.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **FINDINGS AND RECOMMENDATIONS**

The State agency's claims processing system properly identified most physician family planning services eligible for Federal reimbursement at the 90-percent rate. However, we identified two errors. First, the claims processing system erroneously identified certain physician lab tests as family planning services, even though these procedures were not performed for family planning purposes. Second, the claims processing system erroneously identified some other physician services as family planning services based on their diagnosis codes, even though the services provided were clearly not family planning services. As a result, the State agency improperly claimed \$124,006 of enhanced Federal reimbursement for services it incorrectly identified as family planning services. Specifically, the State agency claimed:

- \$105,894 for physician lab tests and
- \$18,112 for other physician services.

The State agency's claims processing system improperly identified these services as family planning services because the State agency did not have adequate policies and procedures to properly identify family planning services eligible for enhanced reimbursement.

## **FEDERAL REQUIREMENTS**

The CMS *State Medicaid Manual*, section 4270, states that the 90-percent rate is available for lab tests and medical services clearly performed for family planning purposes. The 90-percent rate is not available for costs related to other procedures performed for medical reasons.

Additionally, the CMS *Title XIX Financial Management Review Guide # 20: Family Planning Services* states that services for women known to be pregnant are not considered family planning services.

## **IMPROPERLY IDENTIFIED FAMILY PLANNING CLAIMS**

### **Physician Lab Tests**

The State agency's claims processing system erroneously identified certain physician lab tests as family planning services even though the procedures were not performed for family planning purposes. The system was set up to identify the following lab tests performed by full service physicians as family planning services eligible for enhanced reimbursement: "Culture Specimen, Bacteria" and "Culture, Chlamydia." Per State agency officials, family planning services should have included only services on claims with "Contraceptive Management" diagnosis codes or "Family Planning Clinic" provider type codes. The services included a lab test for a 1-year-old boy diagnosed with a cough and a lab test for a 90-year-old female diagnosed with a fever. As a

result, the State agency improperly claimed enhanced reimbursement of \$105,894 for physician lab tests.

### **Other Physician Services**

The State agency's claims processing system inappropriately identified services with certain diagnosis codes as family planning services, even though the services clearly were not family planning services. These services included immunization administration, postpartum care, and echo exams for fetal growth. As a result, the State agency improperly claimed enhanced reimbursement of \$18,112 for other physician services.

### **INADEQUATE POLICIES AND PROCEDURES**

The State agency's claims processing system improperly identified these services as family planning services because the State agency did not have adequate policies and procedures to properly identify family planning services eligible for enhanced reimbursement.

### **RECOMMENDATIONS**

We recommend that the State agency:

- refund to the Federal Government the \$124,006 Federal share of costs that were inappropriately claimed at the 90-percent rate,
- review the amounts reported as family planning costs before and after our audit period to determine whether any costs were inappropriately claimed at the 90-percent rate and refund any overpayment identified, and
- update its claims processing system so that it properly identifies family planning services that are eligible for enhanced reimbursement.

### **STATE AGENCY COMMENTS**

The State agency agreed with our recommendations and stated that it has identified the procedure codes for the physician lab tests that were incorrectly identified as family planning procedures and updated its claims processing system so that those procedure codes are no longer identified as family planning procedures. The State agency's comments are included in their entirety as the Appendix.

# **APPENDIX**

## APPENDIX: STATE AGENCY COMMENTS

Bobby Jindal  
GOVERNOR



Bruce D. Greenstein  
SECRETARY

**State of Louisiana**  
Department of Health and Hospitals  
Bureau of Health Services Financing

August 3, 2011

Ms. Patricia Wheeler  
Regional Inspector General  
Department of Health & Human Services  
Office of Inspector General  
Office of Audit Services, Region VI  
1100 Commerce Street, Room 632  
Dallas, TX 75242

Audit: **A-06-10-0075**

Dear Ms. Wheeler:

In response to the draft audit report entitled "Review of Louisiana Medicaid Physician Family Planning Services", the Louisiana Department of Health and Hospitals (DHH) has reviewed the report and we concur with your offices recommendations.

As a result of your review, we have implemented the following corrective actions:

- DHH has reviewed the procedure codes with a family planning indicator and identified procedure code 87070 and 87110 as being incorrectly identified as a family planning procedure.
- DHH has updated our Medicaid Management Information System (MMIS) and removed the family planning indicators from procedure code 87070 and 87110.
- DHH has validated that the expenditures associated with these procedure codes no longer are being identified as family planning expenditures.

In relation to this audit, we would like to thank your staff for their courtesy and we look forward to working with your office in the future.

If you have any questions or need any additional information about this matter, please contact Jeff Reynolds, Deputy Medicaid Director at 225-342-6043 or by e-mail at [jeff.reynolds@la.gov](mailto:jeff.reynolds@la.gov).

Sincerely,

  
Don Gregory  
Medicaid Director

c: Jerry Phillips, Undersecretary  
Jeff Reynolds, Deputy Medicaid Director