

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**FOLLOW-UP AUDIT OF MEDICAID
CLINICAL LABORATORY SERVICES
AT THE
ILLINOIS DEPARTMENT OF
PUBLIC AID
SPRINGFIELD, ILLINOIS**



**JUNE GIBBS BROWN
Inspector General**

**JULY 1999
A-05-98-00050**



DEPARTMENT OF HEALTH AND HUMAN SERVICES

REGION V
105 W. ADAMS ST.
CHICAGO, ILLINOIS 60603-6201

OFFICE OF
INSPECTOR GENERAL

July 7, 1999

SUBJECT: Follow-up Audit of Medicaid Clinical Laboratory Services
Calendar Years 1993 and 1994
Illinois Department of Public Aid
Springfield, Illinois
CIN A-05-98-00050

TO: Ms. Ann Patla, Director
Illinois Department of Public Aid
201 South Grand Avenue, East
Springfield, Illinois 62763

This letter report provides you with the results of our FOLLOW-UP AUDIT OF MEDICAID CLINICAL LABORATORY SERVICES for Calendar Years 1993 and 1994 administered by the Illinois Department of Public Aid (IDPA). We issued the prior audit report (CIN A-05-95-00062) on December 27, 1996. The Health Care Financing Administration (HCFA) was responsible for the final resolution of the audit recommendations.

INTRODUCTION

BACKGROUND AND SCOPE OF REVIEW

Our follow-up audit was conducted in accordance with generally accepted government auditing standards applicable to the scope of our review. The objective of our audit was to determine whether IDPA had taken satisfactory corrective actions with respect to previously reported findings related to Medicaid payments for clinical laboratory services. Our follow-up audit was limited to the findings and recommendations disclosed in the previous report.

To accomplish our review objective, we evaluated Federal and State requirements for the Medicaid program with respect to payment for clinical laboratory services. We also interviewed appropriate IDPA claims processing and systems personnel. We assessed IDPA's procedures and controls relative to processing Medicaid claims for the clinical laboratory services disclosed in the previous audit.

Our review of internal controls was limited to an evaluation of the claims processing function related to Medicaid claims for clinical laboratory services included in our prior audit. Specifically, we reviewed State agency policies and procedures and provider instructions pertaining to the billing of clinical laboratory services. We also analyzed IDPA documentation related to automated and manual edits for the bundling of chemistry tests and denial of certain hematology tests.

To test the effectiveness of edits implemented by IDPA in response to our previous audit, we selected and examined 115 Medicaid claims containing the chemistry and hematology procedure codes that were subject to the edits. The claims were for the same recipient, same provider, and same service date. Claims were selected on a judgmental basis to determine whether the edits implemented by IDPA were operating effectively. The claims were generally for service and payment dates after IDPA had implemented the various edits that we recommended in the previous audit.

We selected the claims pertaining to the three chemistry procedure codes (82550, 84478, and 82977) and the protein test code (84160) by searching IDPA's claims processing records for the months of February, March, April, September, October, November, and December 1998. The records were related to four high-volume laboratory providers. Claims containing the hematology codes, the hepatic panel codes, and the phosphorous test codes were selected by searching 24 Utilization Review exception reports from the IDPA Medicaid Management Information System claims subsystem (January, February, September, and October 1998).

During the course of our field work, IDPA implemented some additional edits on December 29, 1998. These edits pertained to four chemistry panel codes (80049, 80051, 80054, and 80058) and have an impact on the bundling and regrouping of the chemistry procedures within the scope of our follow-up audit. We did not test the implementation of these edits because we could not readily locate a sufficient number of claims, submitted since December 29, 1998 and containing codes which were subjected to the new edits.

We noted that the IDPA often receives claims for a series of related laboratory procedures (same beneficiary, provider, and service date) on multiple claim forms and different submission dates. We attribute the separate billing of related procedures to varying provider billing practices and to the limitation of seven individual procedure codes per claim form. A series of related procedure codes, subject to the IDPA implemented edits, are often submitted by providers on different claim forms and different dates or even after 30 days from the initial claim. In order to examine the effectiveness of the IDPA implemented edits, a series of related claims would need to be considered. The IDPA generally processes individual claims within 30 days. However, it can take longer than 30 days for a series of related claims to be completely processed, adjudicated, and paid by IDPA depending on provider claim submission methods. Therefore, the records necessary to examine the effectiveness of the edits would not necessarily be complete and available for our review.

We found that items tested were in compliance with applicable laws and regulations except for matters discussed in the RESULTS OF AUDIT section of this report. We conducted our field work at IDPA central office in Springfield, Illinois between June 1998 and March 1999. We also discussed the sample claims and finding details with IDPA officials during the course of our field work.

Oral comments provided by IDPA officials during the audit field work were considered in our revisions to the draft report. Additional oral comments provided at the exit conference and written comments submitted in a letters, dated June 18, 1999 and June 24, 1999 were also considered in this revised report.

The full text of the written comments are included as Appendix A to this report. State agency comments and related OIG responses regarding the four findings are summarized after each recommendation in the RESULTS OF AUDIT section of the report.

RESULTS OF AUDIT

Our follow-up audit determined that IDPA had implemented certain computer edits and updated its provider instructions as recommended in the previous audit. However, IDPA has not taken any action to recover payments in excess of Medicare bundled rates from the largest providers as previously recommended. In their response to our draft report, the IDPA concurred with our first two recommendations, but did not concur with our recommendations to recover estimated overpayments. Each of our recommendations and related IDPA comments with OIG responses are discussed in the following subsections.

ENSURE ITS EDITS DETECT AND PREVENT PAYMENTS FOR UNBUNDLED AND DUPLICATE TESTS (302-926-10-0)

Although IDPA disagreed with our original recommendation to implement edits, HCFA encouraged the State to adopt the Medicare methodology. The IDPA implemented edits to bundle the three chemistry procedure codes and to eliminate duplicate hematology payments.

Our test of the chemistry edits disclosed that the edits were not always effectively bundling the chemistry procedure codes with certain other chemistry panel codes. The edit changes were not always effective because the chemistry procedure codes and the chemistry panel codes were subjected to separate edits which operated independently of each other. As a result, payments in excess of Medicare bundled rates continued to occur. Well after the start of our audit, IDPA implemented another series of edits to address continuing problems with the chemistry panel codes. We did not determine whether the revised edits (effective December 29, 1998) result in more accurate pricing of the chemistry procedure codes, when submitted with the chemistry panels. The IDPA should evaluate whether the additional edits adequately address the previously reported weaknesses. Should these new edits prove effective, the estimated cost savings would be \$4,702,365 (Federal Share \$2,351,182) over the next five years.

In relation to the hematology edits, our tests disclosed that the edits were effectively denying duplicate hemogram indices and platelet counts, when claimed with hemogram profiles. These edits should reasonably ensure that duplicate payments are no longer made. This implementation of previously recommended edits should result in an estimated cost savings over five years of \$782,815 (Federal Share \$391,407). No further action is necessary on the hematology portion of the finding.

Estimated cost savings for the implementation of the chemistry and hematology edits were based on projection data from the previous review (see page 2 of Appendix A of original report -- CIN A-05-95-00062). We estimated cost savings for the implementation of the chemistry and hematology edits by first dividing the previous two-year recovery projection by two and then

multiplying this annual effect by 5. To establish the reasonableness of our estimate, we analyzed annual laboratory expenditures data and lab service counts contained in the IDPA Medical Assistance Program Annual Reports for the years 1993 through 1998 inclusive. Using 1993 as a baseline year, Medicaid lab expenditures and lab service counts for the next five years either remain steady or increase. Based on these long-term historical trends for the Medicaid program, we believe that the prior year estimates based on Medicaid lab expenditures and service counts are representative of the future. The reported cost savings estimates are dependent upon the continuation of these historical trends. The Federal share was determined by multiplying the five-year effect by the applicable FFP rate of 50%.

Recommendation

We recommend that IDPA and its Bureau of Information Systems determine the effectiveness of the chemistry panel codes edits implemented on December 29, 1998, and report the results of their review to the HHS action official.

IDPA Comments

The IDPA concurred with this recommendation.

UPDATE AND CLARIFY ITS POLICIES AND INSTRUCTIONS TO PROVIDERS TO INCLUDE ADDITIONAL PROCEDURE CODES WHICH ARE SUBJECT TO EDITS FOR UNBUNDLED AND DUPLICATE TESTS (302-919-10-0)

Although the IDPA implemented edits for the hepatic panel, protein test, and the phosphorous test, reported in the Other Matters section of our prior report, our test of the edits disclosed that the edits were not always effective in bundling the hepatic panel, protein test, and the phosphorous test procedure codes with certain other individual chemistry tests and other chemistry panels. This occurred because the hepatic panel code and the individual chemistry procedures were subjected to separate edits that operated independently. Likewise, the protein test and the phosphorous test codes were subjected to separate edits which operated independently of the edits for chemistry panel codes. As a result, payments in excess of Medicare bundled rates occurred. Well after the start of our audit, IDPA implemented another series of edits for the chemistry panel codes. Although these edits should result in more accurate pricing of the chemistry procedure codes when submitted with the chemistry panel codes, we have not determined whether the revised edits were fully implemented and effective. The IDPA should consider whether revised edits were adequate or whether additional revisions are needed. Anticipated cost savings were not previously or currently reported for these edit enhancements.

The IDPA is in the process of updating its Physician, Laboratory, and Hospital Handbooks. Its Physician Handbook was updated and issued on December 1, 1998, and is available in printed form or on the Internet. The Laboratory Handbook is in draft form with an expected issuance date of July 1, 1999. The Hospital Handbook is still being updated. To the extent that the Laboratory and Hospital Handbooks are updated and issued, no further action is necessary on this portion of finding.

Recommendation

We recommend that IDPA and its Bureau of Information Systems determine the adequacy and effectiveness of the hepatic panel, protein test and phosphorous test edits implemented on December 29, 1998 and report the results of their review to the HHS action official.

IDPA Comments

The IDPA concurred with this recommendation.

DETERMINE THE AMOUNT OF POTENTIAL OVERPAYMENTS BY PROVIDER AND OBTAIN RECOVERIES OF ACTUAL OVERPAYMENTS FROM THOSE PROVIDERS WITH THE LARGEST TOTAL POTENTIAL OVERPAYMENTS. WE ESTIMATE OVERPAYMENTS AMOUNTING TO \$2,194,072 (FEDERAL SHARE \$1,097,036) COULD BE RECOVERED FROM ALL PROVIDERS FOR CYs 1993 AND 1994 (302-916-03-1).

The IDPA has not identified nor recovered overpayments related to the chemistry tests and hematology tests. We previously estimated the overpayment to be \$2,194,072 (Federal share \$1,097,036). We continue to believe that the State should attempt to recover the overpayments from the largest laboratory providers. In addition, IDPA has not identified or recovered payments related to hepatic panel, protein test and phosphorous tests previously discussed. Even though IDPA had indicated in their written response to the original report that they would attempt to recover these overpayments for this second group of tests, to our knowledge, no attempt has been made to recover the overpayments.

The IDPA disagrees that overpayments were made. Instead, they believe that the aggregate Medicare upper limit was not exceeded in the previous audit. IDPA contends that the total amount of the individual tests billed under Medicaid did not exceed the total amount of allowable individual Medicare rates. Reimbursement for individual Medicaid clinical laboratory tests are limited to the amount that would be recognized under Medicare. Since Medicare requires the bundling of certain laboratory procedures, then the amount recognized by Medicare is the bundled amount. Individual test charges in excess of the bundled rate would be unallowable. Although IDPA disagreed with our recommendation to recover overpayments from the largest providers, they have implemented edits to bundle the questionable tests identified in our original report.

Recommendation

We recommend that IDPA recover the \$2,194,072 (Federal Share \$1,097,036) overpayments made to the clinical labs because all services were not bundled.

IDPA Comments

The IDPA did not concur with this recommendation. The IDPA disagrees that overpayments were made for the three chemistry procedure codes (82550, 82977, and 84478) and the three hematology codes (85029, 85030, and 85595). The IDPA does not believe that a statutory or regulatory requirement exists that requires state Medicaid agencies to follow Medicare's bundling procedures and cite the HCFA letter to State Medicaid Directors dated January 15, 1997.

With respect to the three chemistry codes, the IDPA asserts that these codes were not bundled by Medicare until January 1996. Therefore, overpayments for non-bundling of the chemistry codes could not occur for service dates prior to January 1996 as identified in the previous audit.

With respect to the hematology procedure codes, the IDPA does not believe that these codes are specifically required to be bundled under Medicare rules. The IDPA also asserts a lack of a specific regulatory or statutory requirement to bundle the hematology codes.

The IDPA did agree to determine and recover overpayments related to hepatic panel (80058), the protein test (84160), and the phosphorous test (84100). The projected overpayments were not directly attributable to these three procedure codes.

OIG Response

42 CFR 447.342 (c) states "... the agency will not pay the physician more than the amount that would be authorized under Medicare...". This regulation was in effect during the audit period covered by the previous review (calendar years 1993 and 1994). In addition, the Illinois Medicare carrier bulletin dated August 1993 lists the three chemistry tests among certain clinical laboratory tests that should be bundled and reimbursed at the lower panel fee.

With respect to the hematology tests, we believe that the CPT guidelines and definitions indicate that hemogram indices are already included as part of a hemogram profile. Therefore, we believe reimbursement of hemogram indices when claimed in conjunction with hemogram profiles would be considered duplicative and, therefore, unallowable.

Although the IDPA disagreed that overpayments were made for the chemistry and hematology procedure codes, they did implement edits for these six codes subsequent to our initial audit. Since the Illinois Medicare Carrier bundled the chemistry procedure codes, we believe that it is reasonable to conclude that the Medicare upper limit was exceeded for the unbundled chemistry tests. We also believe that the payment of hemogram indices when claimed with hemogram profiles represents reimbursement of duplicative items.

The IDPA did agree to determine and recover overpayments related to hepatic panel (80058), the protein test (84160), and the phosphorous test (84100). The projected overpayments were not directly attributable to these three procedure codes.

MAKE ADJUSTMENTS TO ITS QUARTERLY REPORT OF EXPENDITURES FOR THE FEDERAL SHARE OF AMOUNTS RECOVERED BY THE STATE AGENCY (302-916-10-2).

The IDPA has not taken action to recover overpayments identified in the previous audit. Therefore, the Quarterly Report on Expenditures has not been adjusted for the Federal share of recovered amounts.

Recommendation

As IDPA recovers the overpayments from the laboratories, it should report the recoveries on the Quarterly Report on Expenditures.

IDPA Comments

The IDPA did not concur with this recommendation. The IDPA does not agree that overpayments were made for the three chemistry procedure codes (82550, 82977, and 84478) and the three hematology codes (85029, 85030, and 85595). Therefore, the IDPA would not need to initiate recoveries and report the recovered amounts as a credit to the Quarterly Statement on Expenditures.

The IDPA did agree to determine and recover overpayments related to hepatic panel (80058), the protein test (84160), and the phosphorous test (84100). The projected overpayments were not directly attributable to these three procedure codes.

OIG Response

For reasons stated under the previous recommendation, we believe the IDPA should initiate recovery procedures for the three chemistry procedure codes (82550, 82977, and 84478) and the three hematology codes (85029, 85030, and 85595) as identified in the previous audit. Once the recoveries are made, the IDPA should credit the Quarterly Statement on Expenditures for the corresponding Federal share of recovered amounts .

The IDPA did agree to determine and recover overpayments related to hepatic panel (80058), the protein test (84160), and the phosphorous test (84100). The projected overpayments were not directly attributable to these three procedure codes.

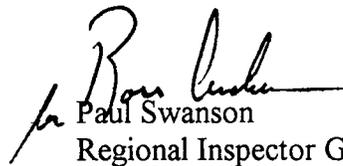
OTHER MATTERS

During the course of our audit tests, there were certain other chemistry panel procedure codes for which IDPA implemented contra-indication edits to follow Medicare payment methodologies. These edits were not always effective at regrouping the billed codes and pricing based on the total number of submitted automated chemistry procedures. We still believe that IDPA and its Bureau of Information Systems should consider the effectiveness of the edits for codes 80049 (Basic Metabolic Panel), 80051 (Electrolyte Panel), 80054 (Comprehensive Metabolic Panel), and 80058 (Hepatic Panel) and whether additional revisions are appropriate.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action officials within 30 days of the date of this report. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG/OAS reports issued to the Department's grantees and subcontractors 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 Common Identification Number A-05-98-00050 in all correspondence to this report.


Paul Swanson
Regional Inspector General
for Audit Services

Attachment

Direct Reply to HHS Action Official:

Mr. David Dupre
Associate Regional Administrator
Division of Medicaid
Health Care Financing Administration
105 West Adams, 14th Floor
Chicago, Illinois 60603



George H. Ryan, Governor
Ann Patla, Director

Illinois Department of Public Aid

201 South Grand Avenue East
Springfield, Illinois 62763-0001

Telephone: (217) 782-1200
TTY: (800) 526-5812

June 24, 1999

Mike Kersting, Senior Auditor
Department of Health and Human Services
Office of Inspector General
Illinois Business Center
400 W. Monroe, Room 20413
Springfield, IL. 62704

Attn: William Pederson

RE: CIN A-05-98-00050

Dear Mr. Kersting:

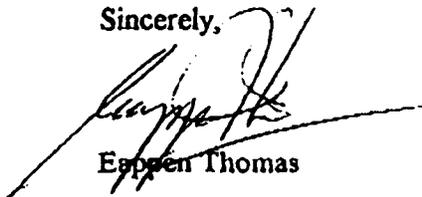
We are submitting a revised IDPA response, with a correction on page three, for your records.

On June 21, 1999 we faxed and mailed you IDPA's response on your draft report on Medicaid Clinical Laboratory Services. Our review of the response found a typo in IDPA Response on page three. The second sentence stated as follows: Please change the implementation date to December 29, 1999.

Comment: The implementation date was December 29, 1998. We have revised the response and the revised response now states as follows: Please change the implementation date to December 29, 1998.

If your staff have any questions, please have them contact me at 557-4705.

Sincerely,



Eappen Thomas

ET/lmb

“IDPA RESPONSES TO DHHS/OIG’S DRAFT ON FOLLOW-UP REVIEW OF LAB SERVICES”

BACKGROUND AND SCOPE OF REVIEW

The audit cites that “It can take from 30 to 60 days or longer for a claim to be completely processed, adjudicated, and paid by IDPA. Therefore, the records necessary to examine the effectiveness of the edits would not necessarily be complete and available for our review.”

Comment Sixth Paragraph

These sentences are misleading. The reader may interpret these statements as IDPA is not adjudicating the claims within the 30 day time frame. In the past several fiscal years, claims have been processed, adjudicated and paid in less than 30 days average. Claims which suspend for hand pricing and prepay review may take longer if additional information is required from the provider. During our meeting on June 8, 1999, the HHS/OIG staff clarified the intent of these statements and based on our understanding the above statements should be revised as follows: **“We noted that IDPA receives a series of related procedures on more than one ‘claim form’ and on different submission dates. Single claims are being processed within 30 days. However, in order to evaluate the effectiveness of edits, a series of related claims need to be considered. A series of related claims are not always submitted to IDPA within 30 days from the submission of the initial claim.”** Therefore, the records necessary to examine the effectiveness of the edits would not necessarily be complete and available for our review.”

RESULTS OF REVIEW

ENSURE ITS EDITS DETECT AND PREVENT PAYMENTS FOR UNBUNDLED AND DUPLICATE TESTS (302-926-10-0)

Comments First Paragraph

We disagree with the following sentences: “Although IDPA disagreed with our original recommendation to implement edits, HCFA encouraged the state to adopt the Medicare methodology and IDPA acquiesced. The IDPA implemented edits to bundle the three chemistry procedure codes and to eliminate duplicate hematology payments.”

- The IDPA disagreed with OIG/HHS Audit A-05-95-00062 that certain chemistry and hematology codes should be bundled. IDPA received a letter dated January 15, 1997 from HHS/HCFA which confirmed that it was not mandatory that Medicare’s bundling procedures be followed by State Medicaid agencies. HHS/HCFA letter dated January 15, 1997 states the following. “According to the State Medicaid Manual (SMM), the impact of the Medicare regulations (specifically, the Medicare upper limit) on the Medicaid program is strictly with respect to the amount of payment. Medicare assignment and billing requirements need not be incorporated into the State Medicaid program. As a result, although Medicare mandates the bundling of certain laboratory

tests in a series, there is no regulatory or statutory provision requiring that Medicare's procedural policies (bundling) be followed by State Medicaid Agencies."

- The IDPA determined that the hematology procedure codes in question (85029, 85030 and 85595) should be bundled based upon a Department's physician consultant recommendation subsequent to OIG/HHS Audit A-05-95-00062.
- The IDPA determined that the chemistry procedure codes in question (82550, 82977 and 84478) should be bundled based upon a February 1996 Medicare Part B Bulletin. These procedure codes were not bundled by Medicare until January 1996; therefore, bundling was not applicable for '93 and '94 dates of service.

Comments Second Paragraph

- Initially, there were problems when certain combinations of procedure codes were billed and some of the procedure codes were bundled by a "hard coded" table program logic and others were edited by a Prepay Edit program logic. As of December 29, 1998 all of the chemistry procedure codes, included in this review, are on a "hard coded" table and are either systematically or manually bundled accurately. BCP staff have been manually monitoring/reviewing the payments for these procedure codes since the December 29, 1998 changes were made.

The second paragraph also states the following: "We have not determined whether the revised edits result in more accurate pricing of the chemistry procedure codes when submitted with the chemistry panels. The IDPA should evaluate whether the additional edits adequately address the previously reported weaknesses. Should these new edits prove effective, they should result in an estimated cost savings of \$4,702,365 (Federal Share \$2,351,182) projected over the next five years,"

- The IDPA cannot confirm or refute the estimated cost savings quoted by the OIG (\$4,702,365) because the OIG has not provided worksheets to substantiate how it arrived at this figure. However any future cost savings as a result of IDPA actions depends on many factors and therefore we are suggesting the last sentence be revised as follows: "Should these new edits prove effective, they may result in an estimated cost savings of up to \$4,702,365 (Federal Share \$2,351,182) projected over the next five years.

Comments Third Paragraph

The third paragraph states the following: "This implementation of previously recommended edits should result in an estimated cost savings of \$782,815 (Federal Share \$391,407) projected in five years."

- The IDPA cannot confirm or refute the estimated cost savings quoted by the OIG (\$782,815) because the OIG has not provided worksheets to substantiate how it arrived at

this figure. However, for clarity we are suggesting to revise the sentence as follows:
This implementation of previously recommended edits may result in an estimated cost savings of up to \$782,815 (Federal Share \$391,407) projected over the next five years.

Recommendation

"We recommend that IDPA and its Bureau of Information Systems determine the effectiveness of the chemistry panel codes edits implemented on December 28, 1998, and report the results of their review to the HHS action official."

IDPA Response

We concur with the recommendation. However, the recommendation erroneously cited the implementation date as December 28, 1998. **Please change the implementation date to December 29, 1998.**

UPDATE AND CLARIFY ITS POLICIES AND INSTRUCTIONS TO PROVIDERS TO INCLUDE ADDITIONAL PROCEDURE CODES WHICH ARE SUBJECT TO EDITS FOR UNBUNDLED AND DUPLICATE TESTS (302-919-10-0)

Recommendation

"We recommend that the IDPA and its Bureau of Information Systems determine the adequacy and effectiveness of hepatic panel, protein tests and phosphorous tests edits implemented on December 29, 1998 and report the results of their review to the HHS action official."

IDPA Response

We concur with the recommendation.

DETERMINE THE AMOUNT OF POTENTIAL OVERPAYMENTS BY PROVIDER AND OBTAIN RECOVERIES OF ACTUAL OVERPAYMENTS FROM THOSE PROVIDERS WITH THE LARGEST TOTAL POTENTIAL OVERPAYMENTS. WE ESTIMATE OVERPAYMENTS AMOUNTING TO \$2,194,072 (Federal share \$1,097,036) COULD BE RECOVERED FROM ALL PROVIDERS FOR CY 1993 AND 1994 (302-916-03-1).

Comments First Paragraph

- We did agree in the previous HHS, OIG audit (A-05-95-00062) that overpayments were made for the hepatic panel (80058), protein (84160) and phosphorous (84100) tests, and

we will determine and recover any overpayments that are identified for these three codes. However, the projected overpayments were not directly attributable to the above procedure codes.

- The projected overpayments and recommendation for recoveries primarily relate to three chemistry procedures (82550, 82977 and 84478) and three hematology procedures (85029, 85030 and 85595). IDPA continues to disagree that these six procedure codes addressed in the HHS/OIG Audit A-05-95-00062 should have been bundled, and that overpayments exist in the amount cited (\$2,194,072) in the HHS/OIG May, 1999, draft report on the follow-up review on Lab Services. In particular, with regard to "bundling", there is no regulatory or statutory provision requiring that Medicare's procedural policies (bundling) be followed by the State Medicaid Agencies.

Recommendation

"We recommend that IDPA recover the \$2,194,072 (Federal Share \$1,097,036) overpayments made to the clinical labs because all services were not bundled."

IDPA Response

- As stated above, we will determine and recover any overpayments that are identified for three chemistry procedure codes (80058, 84160 and 84100).
- As stated above, we do not concur with the \$2,194,072 overpayment amount cited by HHS/OIG.

MAKE ADJUSTMENTS TO ITS QUARTERLY REPORT OF EXPENDITURES FOR THE FEDERAL SHARE OF AMOUNTS RECOVERED BY THE STATE AGENCY (302-916-10-2)

Recommendation

As IDPA recovers the overpayments from the laboratories, it should report the recoveries on the Quarterly Report on Expenditures.

IDPA Response

As earlier stated, we did agree in the HHS, OIG audit (A-05-95-00062) that overpayments were made for three chemistry procedure codes (80058, 84160 and 84100). As overpayments are recovered on the procedure codes that IDPA agrees were overpaid, IDPA will make the appropriate adjustments on the Quarterly Report of Expenditures for the Federal Share of the amounts.