

Audit Report

## Allergy Testing Services in Texas Medicaid

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Quest Diagnostics Clinical Laboratories,  
Inc.

August 7, 2024

OIG Report No. AUD-24-019



**Inspector  
General**

Texas Health  
and Human Services



# Allergy Testing in Texas Medicaid

## Quest Diagnostics Clinical Laboratories, Inc.

## Results in Brief

### Why OIG Conducted This Audit

The Texas Health and Human Services Office of Inspector General Audit and Inspections Division (OIG Audit) initiated this audit in response to an analysis identifying Texas Medicaid members whose allergy blood test encounter data exceeded the allowable limit. The analysis was based on encounter data.

During the audit scope, Quest Diagnostics Clinical Laboratories, Inc. (Quest Diagnostics) provided allergy blood test services to 12,061 Texas Medicaid members, for which it received reimbursements totaling \$669,140.07.

### Summary of Review

The audit objective was to determine whether claims submitted by Quest Diagnostics for allergy blood tests complied with selected Texas Medicaid Provider Procedure Manual (TMPPM) guidelines.

The audit scope covered the period from September 1, 2021, through August 31, 2022.

### Management Response

Quest Diagnostics agreed with the audit recommendation and indicated it would implement corrective actions.

For more information, contact:  
[OIGAuditReports@hhs.texas.gov](mailto:OIGAuditReports@hhs.texas.gov)

### Key Results

The Texas Health and Human Services Office of Inspector General Audit and Inspections Division (OIG Audit) tested a targeted sample of 30 encounters that used procedure code 86003, which is limited to testing for 30 allergens per rolling year, per Medicaid member and requires prior authorization if the limit is exceeded. The sample was selected from a population of encounters that exceeded the 30-allergen limit.

For 11 of 30 (37 percent) allergy blood test encounters tested, Quest Diagnostics submitted claims and was reimbursed for testing more than 30 allergens without prior authorization. The 11 encounters consisted of an average of 46 allergens tested.

Quest Diagnostics performs tests and submits claims for the number of allergens requested by the physician, even if the request is beyond the limit, and relies on the managed care organization (MCO) to pay or deny claims according to its guidelines. Cook Children's Health Plan, the MCO that paid the claims, follows the Texas Medicaid Provider Procedure Manual (TMPPM) requirements for prior authorization approval when testing over the 30-allergen limit with documentation of medical necessity. Quest Diagnostics did not obtain prior authorization before submitting the claims, resulting in an incorrect payment totaling \$2,207.52.

Quest Diagnostics was out of compliance for not obtaining prior authorization for performed services that the MCO was not obligated to pay for.

### Recommendations

Quest Diagnostics should:

- Develop and implement a process to bill for allergy testing above the 30-allergen limit only with prior authorization when the MCO payer requires it.
- Review the payments it received for these claims to determine whether the MCOs reimbursed it correctly for actual services rendered.

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# Audit Overview

## Overall Conclusion

For 30 encounters tested, Quest Diagnostics Clinical Laboratories, Inc. (Quest Diagnostics) did not always comply with selected Texas Medicaid Provider Procedures Manual (TMPPM) guidelines when submitting claims for allergy blood testing services provided to Texas Medicaid members.

## Key Audit Results

Quest Diagnostics provided support that it performed the allergy blood tests represented by tested encounter data.

However, Quest Diagnostics submitted claims and received payment for allergy blood tests for more than 30 allergens without required prior authorization for 11 of 30 (37 percent) samples tested, which resulted in incorrect payments of \$2,207.52. For the other 19 samples, the managed care organization (MCO) paid for testing of no more than 30 allergens.

The Texas Health and Human Services Office of Inspector General (OIG) Audit and Inspections Division (OIG Audit) made recommendations which, if implemented, will help Quest Diagnostics comply with applicable requirements.

OIG Audit presented preliminary audit results, issues, and recommendations to Quest Diagnostics in a draft report dated July 15, 2024. Quest Diagnostics agreed with the audit recommendation and indicated it would implement corrective actions. Quest Diagnostics' management response is included in the report following the recommendation.

The "Detailed Audit Results" section of this report presents additional information about the audit results and is considered written education in accordance with

### Objective

The audit objective was to determine whether claims submitted by Quest Diagnostics for allergy blood tests complied with selected TMPPM guidelines.

### Scope

The audit scope covered the period from September 1, 2021, through August 31, 2022.

Texas Administrative Code.<sup>1</sup> In addition, other audit issues identified in this report may be subject to damages or OIG administrative enforcement measures,<sup>2</sup> including administrative penalties.<sup>3</sup>

## Background

Allergy blood tests, a covered benefit for Medicaid members, are diagnostic tests used to identify antibodies generated in response to allergens in a patient’s blood.

Providers must submit claims for allergy blood tests with specific procedure codes, which identify the services provided, and adhere to other allergy immunotherapy TMPPM and MCO billing requirements to be reimbursable under Texas Medicaid.

Medical providers participating in Texas Medicaid managed care submit claims directly to MCOs, which then reimburse those claims. MCOs submit encounter data to the Texas Health and Human Services Commission (HHSC), to coordinate and manage Medicaid services.

During state fiscal year 2022, which included the period from September 1, 2021, through August 31, 2022, Quest Diagnostics provided allergy blood test services to 12,061 Texas Medicaid members, for which it received reimbursements totaling \$669,140.07.

## Auditing Standards

### Generally Accepted Government Auditing Standards

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

### What Prompted This Audit

OIG Audit initiated this audit in response to an analysis identifying Texas Medicaid members whose allergy blood test encounter data exceeded the allowable limit. The analysis was based on encounter data.

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<sup>1</sup> 1 Tex. Admin. Code § 371.1701 (May 1, 2016).

<sup>2</sup> 1 Tex. Admin. Code § 371.1603 (May 20, 2020).

<sup>3</sup> Tex. Hum. Res. Code § 32.039 (Apr. 2, 2015).

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 objectives.

# Detailed Audit Results

OIG Audit reviewed medical records supporting a targeted sample of 30 allergy blood test encounters, which represent paid claims. These records included:

- The physician's request to perform certain allergy blood tests.
- Allergy blood test results.
- Billing details and the explanation of benefits from the MCO, which paid the claims.

Auditors used these records to determine whether Quest Diagnostics delivered and submitted claims for allergy blood tests in compliance with selected allergy immunotherapy TMPPM guidelines.

The following section of this report provides additional detail about the finding of noncompliance identified by OIG Audit.

OIG Audit will send a copy of the report to the MCO that paid the tested claims, Cook Children's Health Plan, as written education.

## Chapter 1: Quest Diagnostics Did Not Obtain Required Prior Authorizations

For 11 of 30 (37 percent) allergy blood test encounters tested, Quest Diagnostics submitted claims and was reimbursed for testing more than 30 allergens without prior authorization. The 11 encounters consisted of an average of 46 allergens tested. OIG Audit tested a sample of 30 encounters that used procedure code 86003, which is limited to testing for 30 allergens per rolling year, per Medicaid member and requires prior authorization if the limit is exceeded.<sup>4</sup> The sample was selected from a population of encounters that exceeded the 30-allergen limit.

Quest Diagnostics performs tests and submits claims for the number of allergens requested by the physician, even if the number of allergens is beyond the limit, and relies on the MCO to pay or deny claims according to its guidelines. Cook Children's Health Plan, the MCO that paid the claims, follows TMPPM requirements for prior authorization approval when testing over the 30-allergen limit with documentation of medical necessity.<sup>5</sup> Quest Diagnostics did not obtain prior authorization before submitting the claims, resulting in incorrect payments totaling \$2,207.52.

By not obtaining prior authorization to test more than 30 allergens, Quest Diagnostics was out of compliance and performed services the MCO was not obligated to pay for.

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<sup>4</sup> Texas Medicaid Provider Procedures Manual, Vol. 2, "Medical and Nursing Specialists, Physicians, and Physician Assistants Handbook" §§ 9.2.5.2.1 and 9.2.5.2.3 (Sept. 2021, as amended).

<sup>5</sup> Cook Children's Health Plan compliance representatives confirmed to OIG Audit that it requires providers to follow allergy blood testing requirements set forth in the TMPPM.



## Recommendation

Quest Diagnostics should:

- Develop and implement a process to bill for allergy testing above the 30-allergen limit only with prior authorization when the MCO payer requires it.
- Review the payments it received for these claims to determine whether the MCOs reimbursed it correctly for actual services rendered.

## Management Response

### Action Plan

Quest Diagnostics must make system source coding changes to implement the Texas Medicaid Provider Procedure Manual Volume 2 controls required for Current Procedural Terminology (CPT) codes 86003 and 86008 to limit both to 30 allergens per rolling year, for any provider, and considered separately from one another, unless there is a preauthorization for a variance. Our anticipated CPT code source coding changes will be time consuming. Accordingly, until coding changes can be implemented, we will conduct an audit of these two CPT codes every 90 days to ensure audit compliance.

Subject to applicable law and any contractual obligations, Quest Diagnostics reserves the right to refuse service to patients whose providers have ordered testing for more than 30 allergens per rolling year for those patients.

### Responsible Manager

Senior Director, Compliance

### Target Implementation Date

Corrective audit action as described in the Action Plan will begin in the next quarter and continue on a quarterly basis until source coding changes can be implemented. Source coding changes are anticipated to take one year or more.

## Auditor Comment

Quest Diagnostics should continue to serve the needs of the Medicaid population and work with its MCOs and patient providers to comply with applicable contract

and regulatory requirements. This includes obtaining prior authorizations for testing more than 30 allergens per rolling year as required.

## Appendix A: Objective, Scope, and Criteria

### Objective and Scope

The audit objective was to determine whether claims submitted by Quest Diagnostics for allergy blood tests complied with selected TMPPM guidelines.

The audit scope covered the period from September 1, 2021, through August 31, 2022.

### Criteria

OIG Audit used the following criteria to evaluate the information provided:

- Texas Medicaid Provider Procedures Manual, Vol. 2, "Medical and Nursing Specialists, Physicians, and Physician Assistants Handbook" §§ 9.2.5.2.1 and 9.2.5.2.3 (2021, as amended)

## Appendix B: Detailed Methodology

OIG Audit issued an engagement letter to Quest Diagnostics on April 30, 2024, providing information about the upcoming audit, and conducted fieldwork from April 30, 2024, through July 1, 2024.

To accomplish the audit objectives, auditors:

- Conducted interviews with Quest Diagnostics management responsible for overseeing allergy blood tests and staff responsible for submitting Medicaid claims.
- Performed selected tests of the relevant evidence.

OIG Audit selected a risk-based, nonstatistical sample of 30 encounters that exceeded 30 allergens tested in a single encounter. This sample design was chosen to address specific risk factors identified in the population. The sample items were generally not representative of the population; therefore, it would not be appropriate to project the test results to the population.

For the 30 sample encounters selected for testing, OIG Audit reconciled the encounter data to the paid claim data obtained from the applicable MCOs.

### Data Reliability

OIG Audit reviewed Quest Diagnostics' system of internal controls, including components of internal control,<sup>6</sup> within the context of the audit objectives. OIG Audit assessed the reliability of data provided by Quest Diagnostics by tracing sample documentation support to the Cook Children's Health Plan MCO encounters and interviewing relevant Quest Diagnostics personnel knowledgeable about the systems and data. OIG Audit determined that the data was sufficiently reliable for the purpose of this audit.

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<sup>6</sup> For more information on the components of internal control, see the United States Government Accountability Office's *Standards for Internal Control in the Federal Government*, (Sept. 2014), <https://www.gao.gov/assets/gao-14-704g.pdf> (accessed Apr. 16, 2021).

## Appendix C: Resources for Additional Information

The following resources provide additional information about the topics covered in this report.

### For more information on Quest Diagnostics:

Homepage, Quest Diagnostics, <https://www.questdiagnostics.com/> (accessed June 6, 2024)

### For more information about allergy blood tests:

Cleveland Clinic, "Allergy Blood Test," <https://my.clevelandclinic.org/health/treatments/22345-allergy-blood-test#procedure-details> (accessed June 6, 2024)

## Appendix D: Report Team and Distribution

### Report Team

OIG staff members who contributed to this audit report include:

- Anton Dutchover, CPA, Deputy Inspector General of Audit and Inspections
- Cody Redmond, CPA, CFE, Audit Director
- Steven Arnold, CFE, Audit Project Manager
- Mutiu Adeyemi, CISA, Senior Auditor
- Kimberly Howell, Associate Auditor
- James Hicks, CISA, Quality Assurance Reviewer
- Mo Brantley, Senior Audit Operations Analyst

### Report Distribution

#### Texas Health and Human Services Commission

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- Camisha D. Banks, Deputy Executive Commissioner for Managed Care, Medicaid and CHIP Services
- Dana L. Collins, Deputy Executive Commissioner for Operations, Medicaid and CHIP Services

### Quest Diagnostics

- Kristin Wallace, Senior Vice President and Chief Compliance Officer

## Appendix E: OIG Mission, Leadership, and Contact Information

The mission of OIG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of OIG's mission and statutory responsibility includes:

- Raymond Charles Winter, Inspector General
- Susan Biles, Principal Deputy Inspector General
- Kacy J. VerColen, Chief of Audit and Inspections
- Eugenia Krieg, Chief of Staff, Chief of Policy and Performance
- Erik Cary, Chief Counsel
- Diane Salisbury, Chief of Data Reviews
- Matt Chaplin, Chief of Operations
- Steve Johnson, Chief of Investigations and Utilization Reviews

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- Online: <https://oig.hhs.texas.gov/report-fraud-waste-or-abuse>
- Phone: 1-800-436-6184

### To Contact OIG

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