

Atlantic Diagnostic Laboratories Overcharged Medicaid \$7.3 Million

Healthcare Law Update

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11/27/2024

On October 3, 2024, the New Jersey Office of the State Comptroller (OSC) released an [audit report](#) revealing that Atlantic Diagnostic Laboratories (ADL) overcharged New Jersey's Medicaid program for urine drug testing services and owes the State Medicaid program \$7.3 million in repayment. The OSC audited claims from January 2015 through June 2018 and found that ADL violated Medicaid regulations by charging up to \$1,035 per drug test, while billing other payers as little as \$2.38 for the same test. Medicaid paid ADL between \$63.40 and \$180.40 for these services. Medicaid regulations require laboratories to charge Medicaid the lowest possible rate and only perform medically necessary tests.

In 88 of the 261 instances sampled, ADL either billed for tests that had not been ordered or lacked the necessary documentation or signatures. The audit also uncovered that ADL improperly unbundled claims, a practice that typically results in higher reimbursement rates, which is prohibited. OSC is seeking to recover \$2,943,586 for documentation deficiencies, \$1,140,043 for unbundled claims, and a \$3,269,332 civil penalty for knowingly submitting claims that violate Medicaid regulations prohibiting higher charges to Medicaid for the same services. In addition to overcharging Medicaid, ADL also sponsored three golf outings for one of its referring providers, which is prohibited by State law.

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