Atlantic Diagnostic Laboratories Overcharged Medicaid $7.3 Million



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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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For more information, contact:
Keith J. Roberts | 973.364.5201 | kroberts@bracheichler.com
Shannon Carroll | 973.403.3126 | scarroll@bracheichler.com

Vanessa Coleman | 973.364.5208 | vcoleman@bracheichler.com

Authors

The following attorneys contributed to this insight.



Keith J. Roberts

Member
Litigation, Healthcare Law

973.364.5201 · 973.618.5585 Fax

kroberts@bracheichler.com



Shannon Carroll

Member
Healthcare Law, Litigation

973.403.3126 · 973.618.5988 Fax

scarroll@bracheichler.com



Vanessa Coleman

Associate
Healthcare Law

973.364.5208 · 973.618.5566 Fax

vcoleman@bracheichler.com