



COLORADO
Department of Health Care
Policy & Financing

Department of Health Care Policy and Financing
1570 Grant Street
Denver, CO 80203

November 1, 2015

The Honorable Kent Lambert, Chair
Joint Budget Committee
200 East 14th Avenue, Third Floor
Denver, CO 80203

Dear Senator Lambert:

Enclosed please find the Department of Health Care Policy and Financing's response to the Joint Budget Committee's Request for Information #2 regarding fraud detection cost.

Legislative Request for Information #2 states:

The Department is requested to submit a report by November 1 each year estimating the total savings, total cost, and net cost effectiveness of fraud detection efforts.

The Department requested and was granted a Full Time Equivalent for FY 2015-2016 to coordinate and operationalize the planning stages of the Department's initiative to address Medicaid fraud, waste and abuse by moving from a retrospective identification and collection model to a prospective prepayment review model. The position was filled on September 21, 2015 and has begun researching prepayment predictive analytics. The Department will utilize this research and determine the most effective approach. The Department will continue to update the legislature on its progress.

If you require further information or have additional questions, please contact the Department's Legislative Liaison, Zach Lynkiewicz, at Zach.Lynkiewicz@state.co.us or 720-854-9882.

Sincerely,

A handwritten signature in black ink that reads "Susan E. Birch".

Susan E. Birch, MBA, BSN, RN
Executive Director

SEB/djk

Enclosure(s): Health Care Policy and Financing FY 2015-16 RFI #2



Cc: Representative Millie Hamner, Vice-chair, Joint Budget Committee
Representative Bob Rankin, Joint Budget Committee
Representative Dave Young, Joint Budget Committee
Senator Kevin Grantham, Joint Budget Committee
Senator Pat Steadman, Joint Budget Committee
John Ziegler, Staff Director, JBC
Eric Kurtz, JBC Analyst
Henry Sobanet, Director, Office of State Planning and Budgeting
Bettina Schneider, Budget Analyst, Office of State Planning and Budgeting
Legislative Council Library
State Library
John Bartholomew, Finance Office Director, HCPF
Gretchen Hammer, Health Programs Office Director, HCPF
Dr. Judy Zerzan, Client and Clinical Care Office Director, HCPF
Chris Underwood, Health Information Office Director, HCPF
Jed Ziegenhagen, Community Living Office Director, HCPF
Tom Massey, Policy, Communications, and Administration Office Director, HCPF
Rachel Reiter, External Relations Division Director, HCPF
Zach Lynkiewicz, Legislative Liaison, HCPF



Health Care Policy and Financing FY2015-16 RFI #2

The Department is requested to submit a report by November 1 each year estimating the total savings, total cost, and net cost effectiveness of fraud detection efforts.

The Department requested and the Joint Budget Committee (JBC) approved a Full Time Equivalent (FTE) for FY 2015-2016 to coordinate and operationalize the planning stages of the Department's initiative to address Medicaid fraud, waste and abuse by moving from a retrospective identification and collection model to a prospective prepayment review model.

In May 2013, the Governor signed into law SB 13-137, "Concerning System Improvements to Prevent Fraud in the Medicaid Program" with the intent to improve program integrity in the State's Medicaid program and create efficiency and cost savings through a shift from solely a retrospective 'pay and chase' review model to incorporating a prospective prepayment review model. The prepayment review model would allow the Department to identify potential fraud, waste, and abuse after claim adjudication, but before payments are made to providers.

The Department currently operates a 'pay and chase' post-payment review model for identifying fraud, waste, and abuse. The 'pay and chase' model attempts to recoup payments that have already been made to providers when subsequent information indicates that there is an unallowable payment or an overpayment. The Department constantly evaluates policies and procedures for dealing with fraud within the Medicaid program, but based on the current constraints on internal resources, the post-payment model has been the only viable option for the Department.

A prepayment model allows for review to be conducted after adjudication but prior to the payment being sent. This model uses advanced analytical software that automatically reviews the claims prior to payment in order to find potentially fraudulent patterns. In the current environment, the Department makes payments to providers without first evaluating the claims for potential fraudulent activity. Once payments are made, the Department relies on its analysts in the program integrity section to try and identify improper payments and fraud schemes.

As a result of SB 13-137 and the JBC's approval of the FTE during the 2015 legislative session, the Department is in the beginning stages of evaluating the adding pre-payment predictive analytics as part of our Program Integrity Strategy. The Department hired the FTE on September 21, 2015, to design the strategy for applying technology which can be purchased to achieve greater identification of inappropriate payments and aberrant patterns utilizing several data sources including Medicaid Management Information Systems (MMIS) claims. The Department will utilize this research and determine the most effective approach.

The Department understands this is a necessary resource to assist in incorporating a prepayment review model to the Program Integrity process. The employee will conduct research and determine the most effective approach for implementing a prepayment predictive analytics program.

This solution aligns with the FY 2014-15 Department Performance Plan by ensuring sound stewardship of financial resources. The fundamental strategy to combat fraud, waste, and abuse is to prevent money from being paid out in the first place, while continuing to pursue recoveries as necessary. This resource will help the Department ensure this strategy is carried out.

Future versions of this annual Legislative Request for Information will analyze the cost, savings, and effectiveness of this new prepayment review model.