

Washington State Payment Integrity: Leveraging Systems and Data to Bolster Savings

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**Courage is the art of being the only one
who knows you're scared to death.**

- Harold Wilson

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Dickens anyone?

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- It was the best of times. It was the worst of times. There are two stories to tell and sadly neither of them is set in London or Paris.
 - **The first is the more pleasant story of the results of applying new technology and resources to the issues fraud, abuse and waste detection**
 - Objectively, it has a happy ending
 - **The second story is the more difficult because it deals with the long process of changing organizational culture.**
 - Objectively, the future of the first story is wholly dependent on the overall success of the second.
- I hope to leave you with some good ideas from the first story and give you fair warning if you embark on the second.

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Story No. 1

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Spend Money to Save Money

Spend money on technology, data access,
detection software and staff and you will
increase your savings significantly



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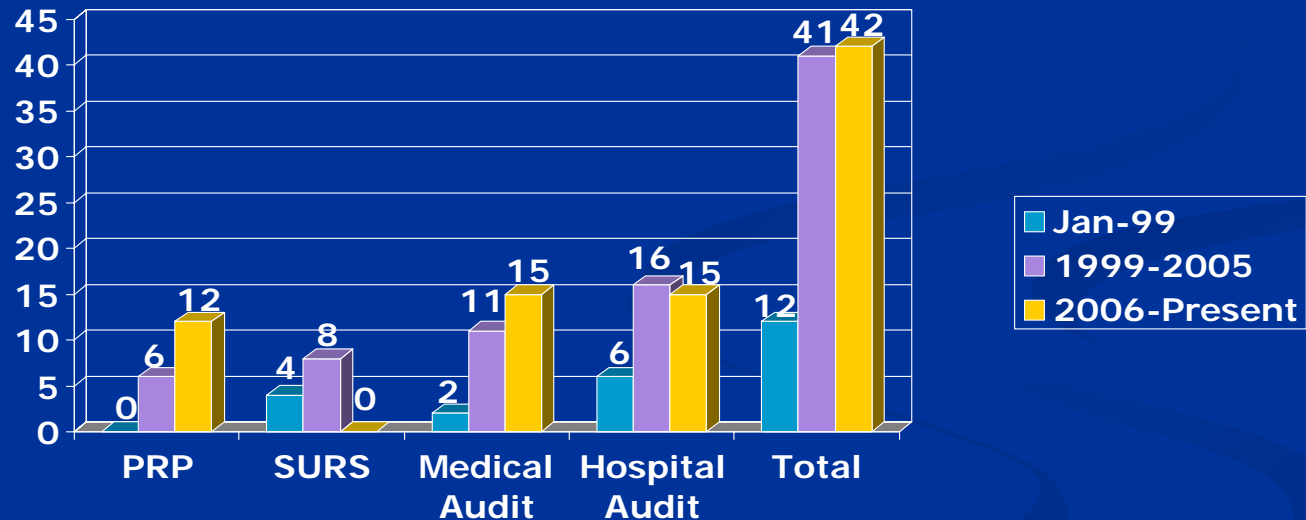
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Increase Staffing and Focus

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Washington State has made significant investments in staff since January 1999 to ensure payment and data integrity



Note: In 2006, 2 PARIS and 4 SURS data mining staff were integrated into PRP; and 3 SURS chart review staff were integrated into Medical Audit.

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Return on Investment Calculation

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- The importance of an immediate and positive Return on Investment
 - When seeking legislative support to increase program integrity efforts, you must first promise to save money and then demonstrate a quick return on the new dollars invested
 - Washington State's ROI methodology: dollars saved (recoveries + cost avoided) **divided by** dollars spent on new data mining PI activities (staff and contract dollars)
 - Increased federal Medicaid Integrity Program (MIP) efforts can help states make the case for increased PI resources
 - Federal MIP State Program Integrity Assessment -"SPIA"- measures coming.

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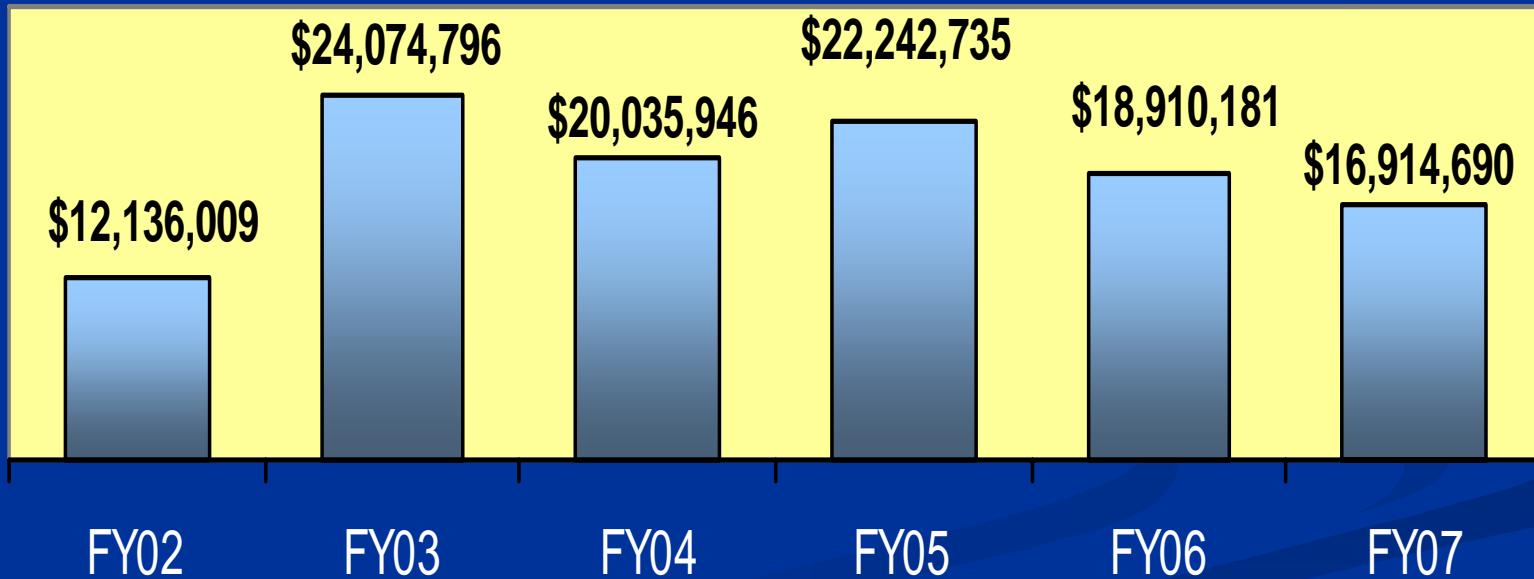


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We Grew and Grew

Payment integrity activities

- Onsite hospital/medical audit = \$8.2 million
- **Data analysis alone = \$ 8.7 million**



In FY07, emphasis was shifted from audit output to focus on building audit infrastructure

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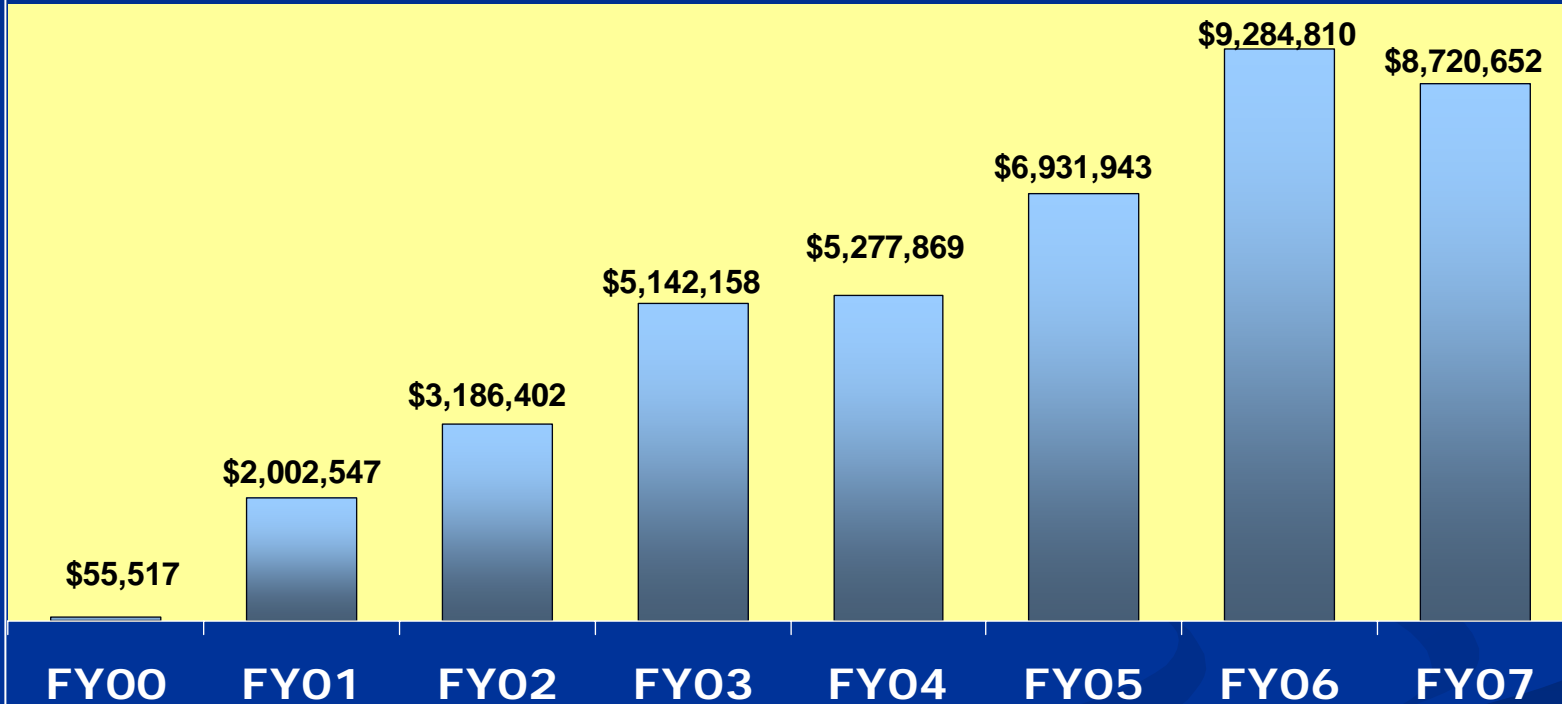
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Data Mining – A Good Thing

- Overpayments generated on data alone:



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So clearly...

Fortune favors the brave.

- Virgil (70 BC - 19 BC)



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So... How'd We Get There?

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- Thank Malcolm Sparrow
- Step 1: Gather national data to show that Washington's PI activities were under-staffed and under-resourced
 - Like most states in the 1990s, when Medicaid expanded, PI offices shrunk!
- Washington State's Payment Integrity/SURS at all-time staffing low
 - 4 SURS staff
 - 2 medical auditors
 - 6 hospital auditors



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Understand Your Requirements

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- **DSHS philosophy: Better to mine our own data than have someone else do it to us!**
- FAD staff realized that targeted FWA “leads” were useless without better access to our own data and additional resources to validate the leads
- The FADS Request for Procurement (RFP) included five sections:
 - **Modern data warehouse**
 - **Ad hoc query capability**
 - **Algorithm development services for looking at rules-based runs against data that would result in overpayments and cost avoidance**
 - **Advanced fraud detection - neural net models**
 - **Case management**
- April 2000, Washington contracts with HWT, Inc of Portland, Maine

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Our Favorite \$\$\$ Makers

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- **Medicare/Medicaid Dual Eligibles** – Compare Medicaid eligibility data against Medicare eligibility database. Inpatient hospital payments made by Medicaid that should have been covered by Medicare. Providers reimburse Medicaid and bill Medicare. Final Overpayments = **\$7.5 million**.
- **Pharmacy Near Duplicates** – This algorithm identifies when the same pharmacy provider has been reimbursed twice within a five-day period for the same recipient, same NDC, and same quantity. All claims have a days supply greater than 7. Final Overpayments = **\$536,000**
- **Package Size Less Than One** – Pharmacies who bill quantities of drugs that are not a multiple of the package size. Final Overpayments = **\$511,000**

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- **Dental Algorithms** – Identifies instances where providers billed:
 - more than once for a one-time service
 - twice or more for amalgams and composite restorations, which are covered only once in a 2-year period (same tooth and same surfaces);
 - Dental crown unbundling
 - Dental crown buildup
 - Prophylaxis same day as scaling
 - Final Overpayments **\$1,000,000**
- **DRG Unbundling** - Identifies instances where providers billed for services that should have been bundled into the DRG rate. Final Overpayments **\$560,000**
- **Services After Death** – Identifies payments made for services after recipient's death by running payment data against Death Certificate Data. Depending on the services paid for – providers are ripe for MFCU prosecutions. Final Overpayments **\$450,000**

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Models – What you don't know counts

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- **Neural net models** are another piece of the PRP arsenal of payment integrity tools
- Models compare Washington state providers to their peers
- Subject Matter Experts determine what payment anomalies are troubling and build into the models
- Models are built and updated every year with new data for:
 - Dentists
 - Inpatient Hospitals
 - Pharmacies
 - Medical Providers
- **Authorization Trend Models** – run on SSPS data – shows authorization patterns by DSHS Regions, right down to the worker level. Enables us to target training on the workers that need it and decide what policies, if any, need to be amended.

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Story No. 2

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**You cannot push anyone up a ladder
unless he is willing to climb a *little*.**

- Andrew Carnegie



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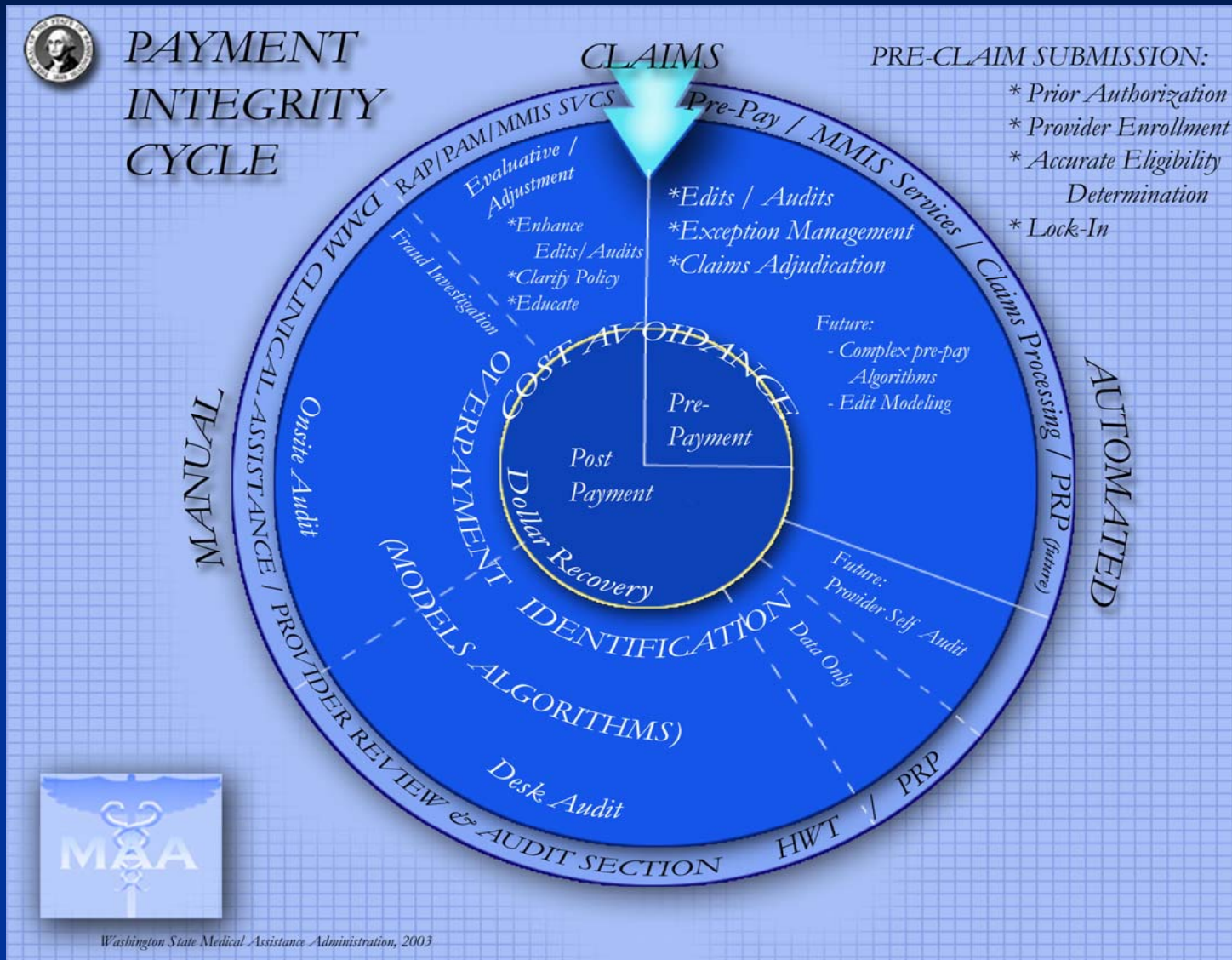
Santa Fe Vision

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Build it and They Will Come... NOT!!!

- Medicaid culture did not support concept that overpayments could be determined by using claims payment data alone
- Zero tolerance for being wrong
- We had to shift that internal culture before we could pursue overpayments based on data
- To launch this effort, we met with various provider associations to inform them of the new way of determining overpayments
- Meetings were not pleasant but ultimately added credibility to the program

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Build it and...Realize There Will be Critics

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- After the first overpayments were sent, DSHS fielded a huge public disclosure request on FAD's operations
- The Medical Association lobbied the Legislature to stop FAD, and legislators ordered DSHS to take the **F-word (*)** out of the name and retitle it as the "Payment Integrity Program" (PIP)
- A year later, DSHS was asked to take "integrity" out of the name and retitle it again, this time as the Payment Review Program (PRP)

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(*) NOTE: "Fraud"



What Doesn't Destroy You, Makes You Stronger

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PRP achievements:

- Audit and SURS staff was increased by more than 300%
- System grew from up to 35 users of a FAD system to a full-blown Decision Support System (DSS) with approximately 400 users
- Other payment integrity products were developed:
 - Launched J-Code Rebate Project
 - Shifted Medicare TPL
 - Added Social Services Payment System (SSPS) data to DSS and cost savings algorithms

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The Expansion Years: 2002-2006

- Expanded J-Code rebate program (collecting NDC codes for multi-source J-Codes) and use of single-source crosswalk.
 - We now require providers to supply NDC for all J-Codes on the claim
- Expanded cost-savings initiatives to include Social Service payment data
 - Overpayments for various provider types such as child care providers, Adult Family Homes, Boarding Homes, Foster Parents, Behavioral Rehabilitation Services providers, and Developmental Disabilities providers
- Strengthened MFCU partnership and increased referrals to prosecutors
- Joined Medi/Medi Project
- Joined and withdrew from PAM/PERM

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PRP Went to PARIS



- PRP demonstrated data centric methods to produce cost savings so we expanded our scope
- The Veteran's Benefit Enhancement Project was a grass roots project that obtained the PARIS data to match Medicaid clients with Department of Defense, Veteran's Administration and Interstate data
- PARIS Data is used to identify DSHS eligibles who should be receiving veteran's benefits (or enhanced benefits)
- The project went as far as it could in the local office
- The Project transferred to PRP and incorporated into our program integrity efforts

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PRP In PARIS

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- Washington realizes savings by utilizing the PARIS data for:
 - Income verification
 - Health insurance identification
 - CHAMPVA
 - Veterans Health Care
 - Third-Party Resource Payments
 - Maximize VA payments
- Identifies long term care Medicaid recipients who are eligible for enhanced veteran's benefits, decreases Medicaid payments
- Identifies Medicaid recipients who should be enrolled in CHAMPVA

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Recognition of Results

- June 2001 GAO report highlighted PRP for use of state-of-the-art computer system to detect Medicaid fraud, waste, and abuse
- In January 2003 report to Legislature, Lewin Group commended Washington's payment integrity efforts and recognized the results of investment in technology and resources
 - "Many of Washington's efforts to use resources more efficiently and to identify areas for fiscal improvement -- such as increased audit and quality review efforts -- were made possible and more fruitful by the introduction of new technology. Specifically, Washington's new Payment Review Program allowed staff throughout the Medical Assistance Administration and the Department of Social and Health Services to harness the power of their data for purposes of containing costs and increasing revenues."

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Looking Ahead

- Expansion of provider self-audit opportunities
 - Piloting Neonate Accommodation up-coding
 - Next up – J-Code billings that appear to exceed acquisition costs
- Development of a DME Peer Group Model
- Currently in the development, design and implementation phase of a new MMIS
 - **Lessons learned through algorithm development, audit and SURS activities has already contributed to edits and audits in the new MMIS**

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Lessons Learned

- It's a long, dangerous journey
- Make sure you have buy-in and support from Executive Leadership
 - **Internal support is the only way you will survive an inevitable culture shift!**
- Hire and grow great staff
- Learn from other states
- Take advantage of contracted services and new products
- Keep a sense of humor!

Anyone who takes himself (or herself) too seriously always runs the risk of looking ridiculous; anyone who can consistently laugh at himself does not.

- Vaclav Havel

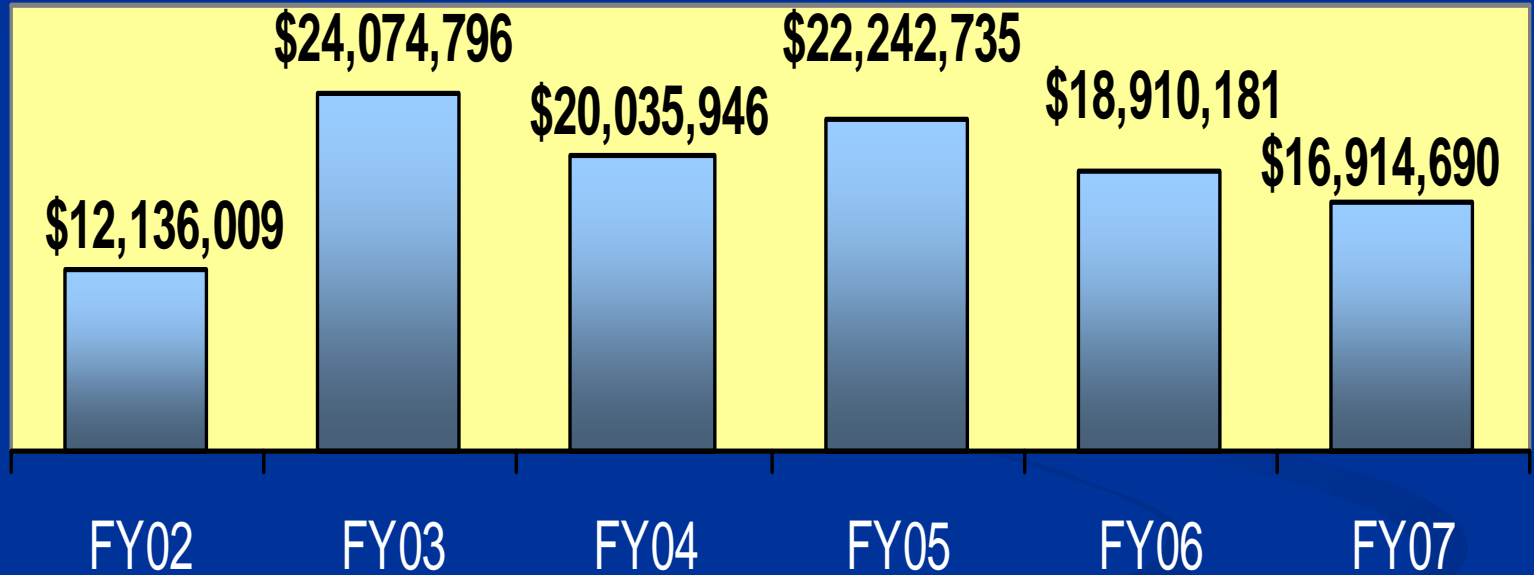




In Conclusion

Fortune *does* favor the brave.

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Questions?

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