



FRAUD, ABUSE, PROVIDER CODING ERROR? IDENTIFYING FRAUD AND ABUSE IN PHARMACY PROGRAMS

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**Where Intelligent
Decision Making Begins™**



Implementing a Compliance Plan

- ❖ Medicare Prescription Drug, Improvement, and Modernization Act of 2003:
 - Prescription Drug Benefit Manual, Chapter 9 provides recommendations specific to the detection, correction, and prevention of fraud, waste, and abuse.
 - Required for Medicare Part D sponsors; useful guide for Medicaid.
 - Well documented common sense requirements make this a valuable resource for Medicaid pharmacy program FWA initiatives, Medicaid Managed Care and oversight of PBMs.
 - Available at: http://www.cms.hhs.gov/PrescriptionDrugCovContra/Downloads/PDBManual_Chapter9_FWA.pdf.
 - Provides guidance for creation of a Compliance Plan



Implementing a Compliance Plan

- ❖ Written Policies and Procedures Specific to FWA:
 - Specific techniques used for the identification of fraud, waste, and abuse in its network.
 - A process to identify overpayments at any level within an insurers network with provisions to properly repay such overpayments in accordance with CMS policy.
 - Policies and procedures for coordinating and cooperating with MEDICs, CMS, and law enforcement, including policies that fully cooperate with any audits conducted by these entities or their designees.
 - Establishment of a Compliance Officer recommended at the senior level in the organization
 - Specification of the Compliance Officer's duties.
 - Maintenance of documentation for reports of potential fraud, waste, or abuse received through any of the reporting methods and throughout the investigation process.



Implementing a Compliance Plan

- Compliance training for staff addressing pertinent laws.
 - How to recognize and report FWA.
 - Establishment of employee orientation programs.
 - Relating an understanding of the risks of FWA activities as it relates to own job (e.g. pharmacist).
- Procedures in place for voluntary self-reporting of potential fraud or misconduct.
 - State Medicaid to CMS.
 - HMO, PBM or Subcontractors to State Medicaid Programs.
- Data analysis and data mining techniques utilized.
 - Profiling, trend analyses, targeted algorithms, predictive modeling.
- Comprehensive audit plan for your agency.



Successful Data Mining Techniques

❖ Algorithms:

- ❏ Targeted, rules based approach.
- ❏ Identifies all providers billing specific claims incorrectly.
- ❏ Targets recipients utilizing medications and providers suspiciously
- ❏ Can often identify easily recoverable overpayments and recipients that would benefit from lock – in programs.
- ❏ Targeted Approach simplifies desk and overpayment audits.

❖ Profiling:

- ❏ Identifies pharmacies, prescribers or recipients who are outliers to their peer groups.
- ❏ Aberrant Patterns are identified.
- ❏ Audits usually directed at specific providers.
- ❏ Exception Reporting.

❖ Predictive Modeling:

- ❏ Predicts future costs and risks based on current populations diagnoses.

Data Mining Techniques for Best ROI

○ Limitations of Pharmacy Claims Payment Systems

- 10's of thousands of drugs with current NDCs
- 100's of thousands when obsolete and current NDCs
- New drugs emerging to the market on a regular basis
- Brand drugs becoming Generics
- Drugs vary in both physical properties and clinical utilization
 - Active Ingredients
 - Strengths
 - Route of Administration (oral, injections, topical)
 - Duration
- Reimbursement is limited to ml, gm, ea
 - Prescriptions often written in mcg, strengths, # of puffs requiring pharmacists to perform calculations to determine correct quantity to bill
- Per claim overpayments can be excessive
 - Over \$30,000 on just one claim!!
- Implementing edits constant challenge

Data Mining Techniques for Best ROI

❖ Algorithm Techniques:

- Easy to Identify! Easy to Audit! Easy to Recover!
- Duplicate Claims.
 - Billed at call in and again at pick up; nursing home call in errors.
 - Often on different dates of service.
 - Can result in millions of dollars in overpayments per year.
- Drugs Frequently Billed in Error.
 - Lovenox, 30mg syringes, priced per ml.
 - Pharmacies may bill number of syringes in error.
 - Overpayments avg \$ 500 per claim.
 - Often results in hundreds of thousands of overpayments in aggregate,
 - Kits, contain multiple items, priced as an 'ea'.
 - Pharmacies may bill number of items in kit, or bill the units in ml or gm in error.
 - Many very expensive drugs are included in kits: e.g., Copaxone, 30 syringes per kit, 1 kit approx. cost \$1500, overpayments as high \$30,000 per claim

Data Mining Techniques for Best ROI

❖ Pharmacy Coordination of Benefits:

- ❶ Medicaid is the payer of last resort; Medicare is primary.
- ❷ Many states have implemented cost avoidance edits in their pharmacy programs – a Best Practice!
- ❸ New Medicare beneficiaries, especially those eligible due to disability, can have eligibility retroactive for many years.
- ❹ Data analysis can identify claims paid for dual eligible recipients; where Medicare Part B is primary, overpayments can be recouped.
 - Vaccines for influenza, pneumococcal, and Hepatitis B.
 - Erythropoietin (EPO) for the treatment of anemia for individuals undergoing dialysis.
 - Emetic drugs for use by individuals within 48 hours of chemotherapy.
 - Immunosuppressant drugs for individuals who have received a Medicare-covered transplant.
 - Nebulizer solutions.

Data Mining Techniques for Best ROI

❖ Pharmacy Coordination of Benefits:

- Past pharmacy based Medicare recoveries have met with difficulties in recouping overpayments.
 - Pharmacies did not have Medicare ID numbers.
 - Pharmacies billed via Point of Sale, not HCFA-1500.
- New pharmacy program changes make recoveries for Medicaid programs easier.
 - Streamlined provider ID through the National Provider Identifier (NPI).
 - CMS oversight of Medicare Part D requires pharmacies to participate in Medicare Part B Coordination of Benefits (COB) activities.
 - Pharmacy-specific billing procedures for Medicare Part B vs. Part D can be leveraged by Medicaid to support recoveries.



New Technologies

- ❖ Most Medicaid programs already have data warehouses.
- ❖ Engine-based analytics are an alternative to costly duplication of data warehousing or data marts.
- ❖ Flexible platform:
 - Algorithm logic maps to states' existing data files or extracts.
 - Data can be easily combined from multiple sources.
 - Algorithm logic programmed into engine.
 - Broadens access and control of running algorithms.
 - Deployed as a Service, a Product, System Integration, or all of the above.
 - Fast!!!
 - Many algorithms can be run at same time to identify best ROI.
 - More algorithms run – more frequent runs.
 - Goal to identify FWA earlier before it becomes a big problem!
- ❖ Part of a Successful FWA Compliance Plan.



Questions?