

MEDICAID COMPLIANCE NEWS

States Seek Help From Firms to Identify, Eliminate Fraud With Data Mining

As state revenues continue to remain stagnate, many states are turning to data mining to help weed out Medicaid fraud and recoup millions of dollars in improperly paid claims. Two states in particular are focusing on electronic systems to increase the amount of fraud and waste they can identify in the system and partnering with organizations such as analytics firms that can help them accomplish their goals.

Federal and state governments' improved data-mining tools significantly raise the enforcement risks for providers, says San Francisco attorney Judy Waltz, with Foley & Lardner LLP. States and the federal government can much more rapidly identify problem areas across similarly situated providers, so there will be less time for providers to reactively determine if they have similar problems.

For example, compliance audits usually involve simple data analysis, which uncovers some fraud-and-abuse risks such as coding errors. However, data mining can go further to identify significant patterns, established relationships and informative trends.

Moreover, where a provider once might have been investigated for a potential problem after reading an audit report, by that time the state or federal government may now have already assessed, or had the ability to assess, a large group of providers for that particular issue. "Providers now need to proactively assess their individual information footprint, and do their own data-mining to determine if there are potential problem areas considering what information they have provided to the government. They should consider their claims data, their quality reporting data, their utilization data, etc., and actively look for outliers that might invite scrutiny," says Waltz.

In addition to having its own data warehouse (*MCN 4/10, p. 1*), New York's Office of the Medicaid Inspector General (OMIG) has partnered with Salient Management to help eliminate Medicaid fraud.

State audits conducted last year by New York's state comptroller showed that improper payments, billing errors and poor recordkeeping cost the state more than \$90 million over the last five years.

According to OMIG, Salient will provide an interactive visual data mining system that will identify fraud, waste and abuse within the program. Moreover, it will help OMIG better understand Medicaid accounting, cost containment and cost avoidance strategies through

the analysis of data based on providers, recipients and pharmacies.

"The solution will help identify and investigate specific root causes, resulting in the identification of opportunities for improving outcomes and cutting costs," Salient said when announcing the partnership. For example, according to Salient, the program uses details from Medicaid claims and existing data in the warehouse to better understand emergency room visits for a more complete picture of Medicaid utilization.

Salient CEO Guy Amisano testified at the state Senate Republican Task Force on Medicaid Fraud hearings in March (*MCN 5/10, p. 1*), that the solution is already being used by many New York counties, such as Albany, Nassau, Chemung and Westchester. These counties have "laid the groundwork" for the OMIG system, he said.

Amisano described the state's Medicaid program as "amazingly complex," and explained that in the past five years its computerized payment system processed nearly 2 billion medical transactions with more than 200,000 providers covering more than 9 million individual recipients. Moreover, each transaction contains over 190 important data fields, he said.

The complexity of the Medicaid program "is multiplied by the particular nature of fraud schemes," said Amisano. These schemes "comprise many transaction records, may be impervious to linear algorithms and manifest themselves chiefly in odd patterns and trends that only human eyes can distinguish."

Thus, there is a great need for visibility, he contended. Electronic data mining enables organizations to "peel the onion" much faster through large-scale data summaries to subsets of outliers. Ultimately, evidentiary details will become visible, exposing the "causal linkages between unique activities and their outcomes," said Amisano.

IBM Gets Percentage of Recovery

North Carolina has also gotten help in recovering Medicaid dollars. The state Department of Health and Human Services (DHHS) has partnered with IBM to use the company's software to review records of approximately 60,000 Medicaid providers and 2 million beneficiaries. Based on a proposal from the state Budget Reform and Accountability Commission, the program should be fully implemented by the summer.

According to Lanier Cansler, DHHS secretary, the state's contract with IBM calls for the company to receive an amount equal to 10% of the money DHHS determines should be recouped, capped at \$5.4 million per year.

The new system will quickly analyze Medicaid claims and flag suspicious cases, said Gov. Beverly Perdue (D). Once identified, the most egregious cases will go to specially trained investigators who make up Medicaid SWAT teams, to quickly investigate the providers or consumers identified as potential abusers,

she explained.

In addition to data mining, Perdue called for the Attorney General's Medicaid Investigations Unit to double its staff size, strengthen the state's anti-fraud laws by stopping kickbacks to providers who refer patients for Medicaid services and start an aggressive awareness campaign encouraging individuals and providers to report Medicaid fraud and abuse when they suspect it.

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