Report to the Legislature

Payment Review Program

Chapter 7, Laws of 2001, E2, Section 211(4)

September 1, 2002

Department of Social & Health Services
Medical Assistance Administration
Information Services Division/Payment Review Program
PO Box 45511
Olympia, WA 98504-45511
(360) 725-2113

DEPARTMENT OF SOCIAL AND HEALTH SERVICES

PAYMENT REVIEW PROGRAM

PURPOSE OF THIS REPORT

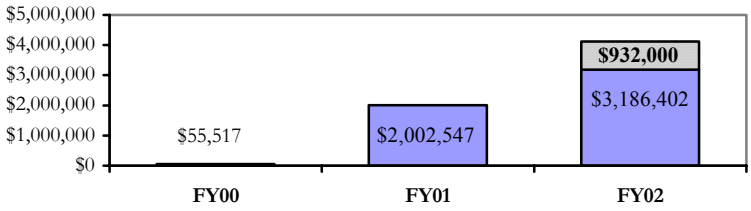
Chapter 7, Laws of 2001, E2, Section 211(4) requires the Payment Review Program (PRP) to provide a report to the fiscal committees of the legislature, by September 1, 2001 and annual updates by September 1st of each year for the preceding fiscal year. This report provides Payment Review Program information for Fiscal Year 2002 results (July 1, 2001 through June 30, 2002) and reports:

- Actual costs recovered and estimated costs avoided for Fiscal Year 2002;
- Costs incurred by the department to administer the program;
- Criteria and methodology used for determining avoided costs; and
- A requirement that the department seek input from health care providers and consumer organizations.

PAYMENT REVIEW PROGRAM HIGHLIGHTS AND BENEFITS

Tangible Benefits:

1. ***Increased Cost Savings:*** Since the inception of the Payment Review Program, cost savings have increased dramatically. The graph below shows baseline savings of $55,517 in FY00[1], PRP cost savings of $2,002,547 in FY01 and $3,186,402 in FY02.



Note: Due to legislative proviso requiring that all PRP overpayments meet a $1,000 minimum threshold, PRP did not refer a total of $932,000 for recovery in FY02 (shown on graph at left).

2. ***Positive Return on Investment of GF State dollars:*** PRP GF-S expenditures were more than offset by GF-S savings, resulting in a positive GF-S return on investment of 1:1.3 (see detail below).

3. ***Quicker Access to More Data for More Users:*** During FY02, users of the PRP Decision Support System (DSS) increased from 60 to 110. DSS components include a data warehouse with multiple software tools allowing advanced access to and analysis of data. System users are able to access data from their desktop, reducing response times for receipt of specialized utilization reports from 8 days to approximately 2 minutes. PRP has expanded the data warehouse to include *four years of Medicaid Management Information System data* and *three years of Social Service Payment System data*. PRP now plays a central role in providing access to detailed data for management reporting and decision-making across DSHS administrations.

4. ***Accurate Leads Delivered to MAA Audit:*** During FY02, PRP implemented advanced fraud detection software models for Dental, Pharmacy, Physician and Diagnosis Related Group (DRG) Institutional payments. Cases from the first models were developed and presented to DSHS program experts for review and investigation as appropriate. *Three providers identified by the Dental Model were*

[1] FY00 recoveries spanned only the last Quarter of FY00 representing the first three months of the HWT Contract.

referred for Audit, which resulted in approximately $1 million in audit finding and the termination of two providers from the Medicaid program for inappropriate billings and poor quality of care. These findings confirmed the value and accuracy of the advanced fraud detection software[2].

Intangible Benefits:

1. ***DSHS Reorganizes to Adopt Best Business Practices:*** PRP's high-tech method of overpayment identification and data access has required a significant paradigm shift from the Department's historical approach to post-payment review. In FY02, PRP's approach gained further acceptance and represents a sound business practice. To further support this cultural shift, in June 2002, PRP moved organizationally to the Medical Assistance Administration/Information Services Division (MAA/ISD) along with consolidation of medical and hospital audit functions; the former Director of PRP now serves as the Director of a unified MAA/ISD. Ongoing consolidation of Medicaid post-payment review functions into one organizational unit will continue to enhance the effectiveness of PRP.

2. ***Advanced Fraud Detection Software:*** Advanced fraud detection software, integrated into the DSS, allows DSHS users to drill down through multiple layers of data to discover relationships, patterns and trends between Washington Medicaid providers that would not otherwise be visible. In FY02, PRP implemented models for Dental, Pharmacy, Physician and Diagnosis Related Group (DRG) Institutional payments. Cases from the first models were developed and presented to DSHS program experts for review and investigation as appropriate. As noted above, these finding confirmed the value of the advanced fraud detection software.

3. ***Provider Education:*** The identification of inappropriate billing patterns has provided numerous opportunities for provider education regarding proper billing practices. PRP communications with providers have confirmed that the majority of providers endeavor to bill accurately, and welcome the opportunities afforded by PRP analysis to discuss and correct their billing practices. Continuing education and discussions with the provider community allows PRP to emphasize fraud, waste and abuse prevention and deterrence.

4. ***Washington's Use of Technology to Improve Payment Integrity:*** Washington was highlighted as one of the four most progressive states in the nation using new technology to improve Medicaid payment integrity.[3]

CURRENT STATUS

1. PRP FY02 Cost Recovery and Cost Avoidance

FY 02 Savings	Referred for Collection	Collected/ Documented to Date	Total FY02 Budget Savings	FY02 GF-S (State only) Savings
Cost Recovery for FY 02	$1,518,537[4]	$1,148,515		
Cost Avoidance for FY 02	n/a	$2,037,887[5]		
Totals			***$3,186,402***	***$1,593,201***

[2] While PRP can claim credit for generating the leads used by the MAA Audit Teams, PRP does not claim credit for any savings generated as those savings are appropriately booked and attributed to MAA/Audit.

[3] June 2001, U.S. General Accounting Office report titled, *State Efforts to Control Improper Payments Vary*

[4] Due to the legislative proviso requiring that all PRP overpayments meet a $1,000 minimum threshold, PRP did not refer a total of $932,000 for recovery in FY02.

[5] PRP identified additional cost avoidance savings of approximately $2.1 million. The necessary MMIS system and policy changes are pending completion and are not counted in FY02 savings.

2. *PRP FY02 Costs Incurred*

FY 02 Expenditures	FY02	Supplemental	Total FY02 Budget Expenditures	FY02 GF-S (State only) Expenditures
PRP Staff Expenses (50/50)	$409,000	$20,000		
HWT contract (75/25)	$2,014,000	$1,406,000		
Sterling contract (75/25)	$60,000			
HWT contract amendment (50/50)		$264,000		
Totals	**$2,483,000**	**$1,690,000**	***$4,173,000***	***$1,216,500***

As detailed above, PRP FY02 GF-S expenditures of *$1,216,500* were offset by savings of *$1,593,201,* showing a positive return on investment of 1:1.3.

3. *Savings Calculation Methodology*

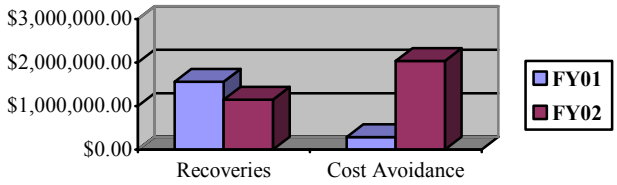
The Payment Review Program measures "savings" in two ways:

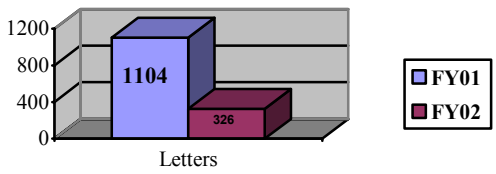
- Actual Dollars Recovered. Identified overpayments are referred for collection to the DSHS Office of Financial Recovery (OFR) and set up as accounts receivables. OFR oversees the recovery of these debts and reports all associated dollars recovered to the Payment Review Program.
- Documented Costs Avoided. Once the department identifies historical overpayments, staff take the necessary steps to strictly prohibit future inappropriate billings and payments (such as adding system edits and audits to the payment system or amending DSHS policy). To calculate the costs avoided, the department takes the average overpayment paid to providers in the past (which we know from post payment analysis) and extrapolates that amount out over a conservative 12 months.

4. *Focus on Prevention and Cost Savings Initiatives*

During FY02, PRP strategies included a significant shift from dollars recovered to cost avoidance. This was in keeping with the legislative mandate that PRP place greater emphasis on the prevention of future billings.

- Dollar recoveries and letters sent to providers ***decreased*** from 1104 letters and $1,506,113 recovered in FY01 to 326 letters and $1,148,515 recovered in FY02.





- Documented cost avoidance and the implementation of cost savings initiatives resulted in ***increased*** FY02 cost avoidance savings of $2,037,887 in FY02. Initiatives included:
  - Following algorithm development and the identification of erroneous billing patterns, PRP requested the addition of MMIS edits/audits for the prevention of future billing errors.
  - Billing Instructions for Psychiatric Services were clarified and an MMIS edit added to prevent erroneous billings/payments for these services.

- DSHS/PRP initiated an enhanced Drug Manufacturer's Rebate Initiative Pilot Project requesting National Drug Code (NDC) information from 10 providers dispensing drugs in an office setting. Receipt of this information allows the Department to collect manufacturers' rebates for these drugs, resulting in significant Department savings.
- PRP data analysis identified the need to establish new Maximum Allowable Cost (MAC) for Ranitidine capsules. In addition, PRP recommended the amendment of Pharmacy WAC to include instruction that pharmacists must fill prescriptions with the most cost-effective form of a drug, absent specific prescribing physician instruction.

5. Working with Provider Associations and Consumer Groups

Since the inception of the Payment Review Program, staff have worked closely with the provider community, offering briefing sessions, presentation of specific issues, and progress reports. During FY02, PRP met with the Washington State Medical Association (WSMA) Inter-Specialty Council. In addition, PRP has coordinated with the Washington State Medical Oncology Society for the development of the process for collection of Rebates related to injectible drugs. PRP maintains an Internet site at http://www.wa.gov/dshs/prp/index.html that provides detailed algorithm and program information for providers. The department welcomes comments and suggestions from individual providers and provider associations, and considers program modifications based on provider input.

The Medical Assistance Administration (MAA) meets regularly with a Title XIX Advisory Council. Although PRP did not meet during FY02, PRP plans to use this forum to present program information and engage in discussions regarding potential program improvements.

OTHER MEASURES OF FY02 SUCCESS

1. PRP/DSS expanded System and Access to Data:

The following data was added/expanded during FY02 and is available for analysis:

- Medicaid Management Information System (MMIS) data resident on the DSS was increased from three years to more than four years;
- Three years of Social Service Payment System data was added to the data warehouse and is available for analysis during FY03;
- Date of Death data was obtained from the Department of Health and compared to MMIS data;
- PRP entered into an agreement with the Federal Centers for Medicare and Medicaid Services (CMS) for receipt of Medicare Eligibility Database information. During FY03, PRP will test the accuracy of this source of Medicare eligibility data for dual-eligible Washington clients.

2. SURS/MARS Functionality Equivalency:

The department is moving forward with research to determine the viability of using the DSS to replace existing legacy sub-systems of the MMIS. If it is determined that the DSS meets federally required functions for the Surveillance and Utilization Review (SUR) Sub-System and/or Management and Administrative Reporting (MAR) Sub-System, associated cost savings can be realized.

For general information on the Payment Review Program, including algorithm descriptions, please visit our Internet site located at http://www.wa.gov/dshs/prp/index.html. For more detailed information about the program or this report, please contact Heidi Robbins Brown, Director, Medical Assistance Administration Information Services Division, at 360-725-2113 or robbihm@dshs.wa.gov.