

JAN 20 2012

S.B. NO. 2384

A BILL FOR AN ACT

RELATING TO HEALTH INSURANCE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the medicaid program
2 is fraught with waste, fraud, and abuse. According to a study
3 report of the United States Government Accountability Office,
4 "Medicare and Medicaid Fraud, Waste, and Abuse" (March 9, 2011),
5 "Fraud, waste, and abuse and improper payments put programs at
6 risk. An improper payment is any payment that should not have
7 been made or that was made in an incorrect amount (including
8 overpayments and underpayments) under statutory, contractual,
9 administrative, or other legally applicable requirements.
10 We have designated both Medicare and Medicaid as high-risk
11 programs." The United States Government Accountability Office
12 found an urgency to implement strategies to reduce fraud, waste,
13 abuse, and improper payments and included certain strategies in
14 its report.

15 The purpose of this Act is to implement some of the
16 strategies recommended by the Government Accountability Office
17 by:



- (1) Improving program integrity for medicaid and its children's health insurance program;
- (2) Creating efficiencies and cost savings by shifting from a retrospective "pay and chase" model to a prospective pre-payment model; and
- (3) Complying with program integrity provisions of the federal Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010.

SECTION 2. This Act shall apply to the medicaid adult and children's health insurance programs, as referenced in section 435H-7, Hawaii Revised Statutes, and to the QUEST program, as referenced in section 103F-402, Hawaii Revised Statutes.

SECTION 3. The department of human services shall establish a provider data verification and provider screening technology system to verify billings to the medicaid adult and children's health insurance programs and QUEST program against a current provider information database. The provider data verification and provider screening technology systems shall be used to:

- (1) Delete the names of deceased providers from the provider database;



- (2) Identify sanctioned providers;
- (3) Note professional license expirations;
- (4) Identify retired providers; and
- (5) Confirm current addresses of providers.

SECTION 4. The department of human services shall implement state-of-the-art clinical code editing technology solutions to further automate claims resolution and enhance cost containment through improved claim accuracy and appropriate code correction. The technology shall identify and prevent errors or potential overbilling based on widely accepted and transparent protocols, such as protocols of the American Medical Association and the Centers for Medicare and Medicaid Services. The edits shall be applied automatically before claims are adjudicated to ensure a smoother, more consistent, and more transparent adjudication process and fewer delays in provider reimbursement by expediting the processing of claims and reducing the number of pending or rejected claims.

SECTION 5. The department of human services shall implement state-of-the-art predictive modeling and analytics technologies to provide a more comprehensive and accurate view across all providers, beneficiaries, and geographies within the



1 medicaid and children's health insurance programs and QUEST
2 program to:

- 3 (1) Identify and analyze those billing or utilization
4 patterns that represent a high risk of fraudulent
5 activity;
- 6 (2) Integrate changes into the existing medicaid and
7 children's health insurance programs and QUEST program
8 workflow;
- 9 (3) Undertake and automate analyses before payment is made
10 to minimize disruptions to the workflow and speed
11 claim resolution;
- 12 (4) Prioritize identified transactions for additional
13 review before payment is made, based on likelihood of
14 potential waste, fraud, or abuse;
- 15 (5) Capture outcome information from adjudicated claims to
16 allow for refinement and enhancement of the predictive
17 analytics technologies based on historical data and
18 algorithms within the system; and
- 19 (6) Prevent the payment of claims for reimbursement that
20 have been identified as potentially wasteful,
21 fraudulent, or abusive until the claims have been
22 automatically verified as valid.



1 SECTION 6. The department of human services shall
2 implement fraud investigative services that combine
3 retrospective claims analysis and prospective waste, fraud, or
4 abuse detection techniques. These services shall include
5 analysis of historical claims data, medical records, provider
6 databases, and high-risk identification lists, as well as direct
7 patient and provider interviews. Emphasis shall be placed on
8 providing education to providers and ensuring that providers
9 have the opportunity to review and correct any problems
10 identified prior to adjudication.

11 SECTION 7. (a) The department of human services shall
12 implement claims audit and recovery services for the medicaid
13 and children's health insurance programs and QUEST program to:

- 14 (1) Identify improper payments due to non-fraudulent
15 issues of payments;
16 (2) Audit claims;
17 (3) Obtain provider sign-off on the audit results; and
18 (4) Recover validated overpayments.

19 (b) The claims audit and recovery services shall include
20 post payment reviews to ensure that the diagnoses and procedure
21 codes are accurate and valid based on the supporting physician



1 documentation within the medical records. Core categories of
2 reviews could include:

- 3 (1) Coding compliance diagnosis related group reviews;
- 4 (2) Patient reviews, transfers, and readmissions;
- 5 (3) Cost outlier reviews;
- 6 (4) Outpatient seventy-two hour rule reviews; and
- 7 (5) Billing and payment errors, and other related errors.

8 SECTION 8. (a) The department of human services shall
9 procure services under chapter 103D, Hawaii Revised Statutes, to
10 implement and administer this Act.

11 (b) The department of humans services shall provide the
12 contractor awarded the procurement pursuant to subsection (a)
13 with appropriate access to claims and other data as necessary
14 for the entity to carry out the functions included in this Act.
15 The data shall include:

- 16 (1) Current and historical claims data concerning medicaid
17 and children's health insurance programs and the QUEST
18 program; and
- 19 (2) Medicaid adult and children's health insurance
20 programs and QUEST program provider database
21 information.



1 SECTION 9. The department of humans services shall report
2 to the legislature no later than twenty days prior to the
3 convening of the:

4 (1) Regular session of 2014 on the status of
5 implementation of this Act; and

6 (2) Regular Session of 2015 on the final status of
7 implementation of the required procedures and programs
8 under this Act, including information such as
9 projected and actual cost savings due to any other
10 positive or negative effects of the implementation of
11 this Act.

12 SECTION 10. It is the intent of the legislature that the
13 savings achieved through this Act shall more than cover the
14 costs of implementation. To the extent possible, technology
15 services used in carrying out this Act shall be secured using a
16 shared savings model, in which the State's only direct cost will
17 be a percentage of actual savings achieved. To enable this
18 model, a percentage of achieved savings may be used to fund
19 expenditures of the department of human services for purposes of
20 implementing this Act.

21 SECTION 11. If any provision of this Act, or the
22 application thereof to any person or circumstance, is held



1 invalid, the invalidity does not affect other provisions or
2 applications of the Act that can be given effect without the
3 invalid provision or application, and to this end the provisions
4 of this Act are severable.

5 SECTION 12. This Act shall take effect upon its approval.
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S.B. NO. 2384

Report Title:

Human Services; Medicaid; Quest; CHIP

Description:

Requires the department of human services to implement certain cost-savings programs and technologies in the medicaid, QUEST, and children's health insurance programs. Requires report to legislature.

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