

SB 2166

Measure Title: RELATING TO MEDICAID.

Report Title: Medicaid; Children's Health Insurance Program; Fraud Prevention and Detection

Description: Requires the DHS to implement state-of-the-art technologies in its medicaid and children's health insurance programs to increase the department's ability to detect and prevent waste, fraud, and abuse in the programs. Report to 2013 legislature.

Companion:

Package: None

Current Referral: HMS, WAM

Introducer(s): CHUN OAKLAND (BR)

NEIL ABERCROMBIE
GOVERNOR



PATRICIA MCMANAMAN
DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 2, 2012

TO: The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

FROM: Patricia McManaman, Director

SUBJECT: **S.B. 2166 - RELATING TO HEALTH**

Hearing: Thursday, February 2, 2012; 1:15 p.m.
Conference Room 016, State Capitol

PURPOSE: The purpose of the bill is to require DHS to implement state-of-the-art technologies in its Medicaid and children's health insurance programs to increase the department's ability to detect and prevent waste, fraud, and abuse in the programs.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) opposes this bill because it would increase provider burden, could worsen recipient access, and would require a substantial appropriation.

Hawaii's medical assistance is based on a managed care model with more than 99% of its recipients enrolled in a managed care health plan, and each health plan maintains its own claims and payment system. This bill would require: the end of managed care (i.e QUEST and QUEST Expanded Access); or that each contracted health plan adopt a new system; or a whole new system for the remaining fee-for-service program.

Ending managed care would require an enormous increase in funding. Since the implementation of Medicaid managed care, the State has saved a cumulative of nearly \$1 billion.

If required of health plans, they would either operate two systems or apply the new system to their commercial business as well. Because DHS pays the health plans on a capitated basis, it is in their best interest to ensure that the capitation is not wasted on fraudulent activities by their providers using predictive analytics, claims audits, historical claims data, medical reviews, etc.-tools that they use in their commercial business. DHS would have to pay the health plans to implement this requirement.

If applied solely to the less than 1% of individuals in Medicaid fee-for-service, it would apply to claims for the carved-out services of dental, behavioral health, developmentally disabled/intellectually disabled, and organ transplantation. The providers and recipients of these services would be the ones negatively impacted. Because of the extremely small volume of fee-for-service claims, the cost of implementation, for which there is no appropriation, would be expected to greatly exceed any identified fraud, waste, and abuse.

DHS already has a claims processing system that checks claims against the recipient's eligibility and provider's participation. The system has edits in place including for non-covered services, utilization limits, and prior authorization. In addition, the DHS now has a data storage warehouse and recently, in partnership with Arizona, has purchased a Surveillance and Utilization Review Section (SURS) subsystem. With both of these tools the DHS will have the ability to run algorithms on paid claims and on encounter data from the health plans. Any concerns in regards to provider fraud and abuse not identified by the health plans can be shared with them.

Thank you for the opportunity to provide testimony on this bill.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, January 31, 2012 10:22 AM
To: HMS Testimony
Cc: Brenda.Kosky@gmail.com
Subject: Testimony for SB2166 on 2/2/2012 1:15:00 PM

Testimony for HMS 2/2/2012 1:15:00 PM SB2166

Conference room: 016
Testifier position: Support
Testifier will be present: Yes
Submitted by: Brenda Kosky
Organization: Consumer Family & Youth Alliance
E-mail: Brenda.Kosky@gmail.com
Submitted on: 1/31/2012

Comments:

C

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, January 29, 2012 12:37 PM
To: HMS Testimony
Cc: robertscottwall@yahoo.com
Subject: Testimony for SB2166 on 2/2/2012 1:15:00 PM

Testimony for HMS 2/2/2012 1:15:00 PM SB2166

Conference room: 016
Testifier position: Support
Testifier will be present: Yes
Submitted by: Scott Wall
Organization: Individual
E-mail: robertscottwall@yahoo.com
Submitted on: 1/29/2012

Comments: