November 30, 2012

Dear Senator:

LB 541 requires the Department of Health and Human Services (the Department) to enter into contracts to increase the efforts to promote the integrity of the Medicaid program and to assist with cost-containment efforts and recovery audits. It further requires the Department to report to the Legislature, by December 1, 2012, regarding "the status of the contracts, including the parties, the programs and issues addressed, the estimated cost recovery, and the savings accrued as a result of the contracts" referenced in LB 541.

Following a Request for Proposal process, the Recovery Audit Contractor (RAC) program was awarded to HMS. Implementation of the RAC is slated for November 30, 2012 with data sharing and system readiness to follow. Based on other states, the typical turnaround time for initial recovery is six to nine months. In order to avoid overlap with other Program Integrity initiatives, the Department will identify initial areas of concern and will also receive recommendations from HMS based on their Medicaid RAC experience with other states. The Medicaid RAC contract will be a contingency fee contract which will allow for a contingency fee of 10.5%.

During 2012, the Department had a three-prong approach to continuous improvement with the Health Insurance Premium Program (HIPP). First, the Department created efficiencies in the payment process for HIPP, and is in the process of moving from paper records to electronic scanning and storage of records. Second, the program has clarified and updated the referral process used by caseworkers to identify appropriate candidates for participation in HIPP with the goal of increasing client enrollment in the program, as appropriate and when cost-effective. Lastly, the Department is reviewing the feasibility and cost-effectiveness of contracting out the support of HIPP.

The Department continues to work with an outside contractor, Bloodhound (a division of Verisk), to review claims for correct coding in an effort to prevent improper payments to service providers. This work is covered under the National Correct Coding Initiative, the purpose of which is to promote national coding methodologies, and to control improper coding leading to inappropriate payment. During FY2012, the edits led to a cost-avoidance of $951,284.82 for claims processed in November 2011 through March 2012. The same edits were retroactively applied in October 2012 to claims processed April through October 2011. The dollar amount is not yet known since review is still in progress. Edits are now applied to current claims on an ongoing basis. New edits which will be implemented January 2013.

The Department also works with two CMS Medicaid Integrity Contractors who conduct audit-related activities on claims to ensure claims are paid for items and services provided and documented, that the appropriate codes were billed, and to ensure services and items are covered and payable in accordance with Federal and State laws, regulations, and policies. If overpayments are identified, the Department seeks recovery and works with the appropriate internal areas to correct any system or operational deficiencies.

In November 2012, the Department signed a joint operating agreement with AdvanceMed, the contractor for the Medi-Medi Project, a project of the Centers for Medicare and Medicaid Services at the federal Department of Health and Human Services. The project is an initiative to identify potential provider fraud and abuse by combining data for claims paid on clients eligible for both Medicaid and Medicare.

Should you have any questions or comments, do not hesitate to contact me.

Sincerely,

Vivianne M. Chaumont

Vivianne M. Chaumont, Director
Division of Medicaid & Long-Term Care
Department of Health and Human Services