2007-2008
MEDICAID TRANSFORMATION GRANT APPLICATION

"A HEALTHY MISSISSIPPI – MOVING FORWARD"
ENHANCING PROGRAM INTEGRITY

OFFICE OF THE GOVERNOR
DIVISION OF MEDICAID
STATE OF MISSISSIPPI

SUBMITTED BY

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Abstract

The Mississippi Division of Medicaid (MDoM) proposes to utilize funding through this project to design a system for reducing improper payment rates through use of the Payment Error Rate Measurement (PERM) process, which will be conducted in a manner consistent with the guidelines established by the Center for Medicare and Medicaid Services (CMS). MDoM proposes to solicit the services of a physically and functionally independent organization to conduct requirements for the PERM project, and will utilize the results to assist in the development of an adaptable process for MDoM to continue when the two-year grant period ends.

States are paying heavily for their inability to identify and correct patterns, practices and trends related to abuse, waste and fraud. In fact, we believe abuse and fraud account for over 15% of MDoM's total expenditures (MDoM has nearly a $4 billion budge). It is necessary to determine and analyze the patterns, practices, and trends of abuse and fraud within MDoM's program. It is also imperative that MDoM adopt more efficient and effective mechanisms for addressing and preventing these costly practices.

MDoM also proposes to conduct a comprehensive assessment of our integrity program's ability to successfully meet the ever-changing challenges in combating health care fraud and abuse. The integrity unit bears the primary responsibility for maintaining the agency's compliance with federal/state rules governing claims payment and reimbursement for Medicaid covered services. As a result, assessing the unit's strength's and weaknesses is critical in determining what "tools" it needs to succeed in the 21st century. New technologies and enhanced business processes are but a few of the areas to be analyzed and strengthened. Assessing organizational design and capacity, as well as, operating practices and procedures will provide further needed information in the unit's redesign.

The projected budget for the two-year period for FYs 2007 and 2008 totals $1,854,000 and is needed to support the study and development of Mississippi program integrity methods and challenges for combating health care fraud and abuse for potential redesign.

Project Narrative

A. Statement of Project Need

(1) ***Why the project is needed:***

The State of Mississippi covered 20 percent of its population through the Medicaid program in 2005, which ranked Mississippi highest among all fifty states and only one percentage point behind the District of Columbia. In addition, the State receives more federal match per State dollar spent on Medicaid than any other state in the Nation, 75.89% for 2007.

The State of Mississippi is required to perform the eligibility portion of the Payment Error Rate Measurement (PERM) for CMS in Federal Fiscal Year (FFY) 2008. Below is Clifton Gunderson's (CG) proposed engagement plan, including estimated hours and cost to perform this service.

One of the most important goals of the Mississippi Division of Medicaid is to ensure that Medicaid dollars are used to provide quality healthcare and improve the lives of those who are entitled to services under the Medicaid program. Individuals in rural areas confront long-standing barriers to care. These include long distances, low population densities, low availability of both mental health and other community service professionals, and limited infrastructure to get people to available care. Demographic changes, technological advances, emerging diseases, and the interplay between private and public sources of health coverage challenge the ability of states to respond to their citizens' health care needs within the context of budget constraints. Equally challenging is the states' ability to respond to fraud, waste and abuse within the system. The same demographic changes, technological advances, strained resources and expanded healthcare demands that challenge the delivery of patients' needs, challenge a state's ability to prevent, detect and correct areas of system abuse, waste and fraud.

The Mississippi Division of Medicaid (MDOM) proposes to utilize funding through this project to design a system for reducing improper payment rates through use of the Payment Error Rate Measurement (PERM) process, which will only be conducted in a manner consistent with the guidelines established by the Center for Medicare and Medicaid Services (CMS). The agency proposes to solicit the services of a physically and functionally independent organization to conduct requirements for the PERM project, and will utilize the results to assist in the development of an adaptable process for MDoM to continue when the two-year grant period ends.

MDOM also proposes to conduct a comprehensive study and review of our area of program integrity regarding its ability to meet the ever-changing challenges in combating health care fraud and abuse. Our program integrity unit has the primary responsibility for maintaining compliance with federal/state rules governing claims

payment and reimbursement for Medicaid covered services. It investigates activities relating to the prevention, detection, and investigation of alleged provider and beneficiary fraud and/or abuse in the Medicaid program.

States are paying heavily for their inability to identify and correct patterns, practices and trends related to abuse, waste and fraud. In fact, we believe abuse and fraud account for over 15% of MDoM's total expenditures (MDoM has a $4 billion budget). It is necessary to determine and anylyze the patterns, practices, and trends of abuse and fraud within MDoM's program. It is also imperative that MDoM adopt more efficient and effective mechanisms for addressing and preventing these costly practices.

Every dollar lost to the misuse of Medicaid benefits is one less dollar available to fund programs which provide essential medical services for needy Mississippians. It is crucial for Mississippi to assess this unit's capabilities and give it the tools it needs to succeed in the 21st century. New technologies and enhanced business processes are but a few of the areas to be analyzed and strengthened. Assessing organizational design and capacity, as well as, operating practices and procedures will provide a solid foundation for potential redesign and innovation. The providers of Mississippi Medicaid services have been informed that if they do not work with our program staff to aid in eliminating fraud and abuse, the Medicaid system may not be available for those beneficiaries whom the program was created to assist.

The PERM eligibility review will include both Medicaid and State Children's Health Insurance Program (SCHIP) cases. The PERM eligibility review requires submission of a sampling plan to CMS and subsequent approval before sampling can begin. The sampling methodology is spelled out in a State Health Official letter issued by CMS in October 2006. That sample will be drawn monthly over the full twelve months of FFY 2008. The results of each monthly sample will determine Mississippi's Medicaid and SCHIP eligibility error rates.

B. Project Justification

In accordance with the Improper Payments Information Act of 2002, MDoM is working to comply with all requirements as expressly stated. In order to meet its abuse and fraud detection responsibilities MDoM must have adequate controls in place. The PERM methodology is designed to comply with the Act, and to estimate the proportion of Medicaid and State Children's Health Insurance Program (SCHIP) medical payments made erroneously. The State of Mississippi operates the SCHIP as a standalone program. As stated in the Act, all federal programs and activities that may be susceptible to significant improper payments must submit an estimate and a report on the action to reduce those payments to the Office of Management and Budget. This project will aid the State of Mississippi in its compliance with those requirements.

MDOM actively participates in all alleged or suspected allegations of fraud and abuse activities involving the Medicaid program. Fraudulent activities are then reported to the State of Mississippi Attorney General's office for appropriate action and/or prosecution. The state pursues Medicaid providers and beneficiaries, and sanctions are imposed in compliance with agency policy and state laws. MDoM welcomes the opportunity for an initiative such as PERM to be conducted in our state, especially if the results will lead to innovative practices being implemented.

Medicaid providers are referred to the program integrity unit for suspicion of abuse and fraud such as:

- Billing for services not rendered and not medically necessary;
- "Up-coding" or inappropriate billing;
- Inappropriate or lack of documentation to support services billed;
- Quality of care issues that fail to meet professionally recognized health care standards;
- Falsifying certificates of medical necessity, plans of treatment, and medical records to justify payment;
- Soliciting or receiving kickbacks; and/or,
- Violating Medicaid policies, procedures, rules, regulations, and/or statutes.

Medicaid beneficiaries are referred for review if there is suspicion of:

- Excessive use or overuse of Medicaid;
- Using another's Medicaid Identification card;
- Lending, altering or duplicating a Medicaid ID;
- Providing incorrect eligibility or false information to a provider in order to obtain treatment;
- Simultaneously receiving benefits in Mississippi and another state;
- Knowingly assisting providers in rendering services to defraud the Medicaid program; and
- Prescription fraud

Annual costs to the State of Mississippi resulting from Medicaid fraud and abuse are estimated at $29,000,000 for prescription drugs alone. There is no way to determine the number of unknown schemes that have resulted in the loss of Medicaid dollars. The reality is that substantial loss to the state has occurred as a result of fraud, abuse and error, and the money lost as a result of those activities may never be recovered.

MDoM has diligently worked to assist in the reduction of fraud and abuse in our state through the mechanisms and laws that are currently in place. There is documented evidence that our program integrity activities have generated cost savings, and has possibly resulted in the reduction of fraudulent activities. Regardless of the accomplishments that have been generated and with this being a technological age and

more innovative approaches being introduced on a regular basis, MDOM seeks opportunities to reassess itself and discover more efficient and effective ways of administering program requirements, especially in the program integrity area. This project will allow MDOM the opportunity to build upon its current structure and implement innovative changes, with the assistance of a qualified contractor, by the completing the PERM requirements. This project will also provide an advantage for the state since staff will be trained in the process and can assist in the continued review process.

C. Project Goals and Outcomes

The overall goal of the MDoM is to support the required activities of the PERM process, and continue the resulting efforts with the training of dedicated staff. MDoM proposes that this project will aid the state's program integrity area through exposure to the PERM process, and the introduction to innovative approaches of business processes provided by other states. The anticipated outcome is that innovative and/or enhanced methods that are currently not being utilized will be introduced that will aid in the reduction of overall Medicaid spending, fraud, abuse, and waste. The PERM process should aid in the development and implementation of a plan to address the causes of improper payments uncovered during the review.

We know that the annual costs to the State of Mississippi resulting from Medicaid fraud and abuse are estimated at over $60,000,000 for prescription drugs alone. That amount is significant by itself, so we know that if the other program areas are factored in the amount of Medicaid dollars that are lost or have been lost is astronomical.

As a result of the implementation of PERM, the agency, the Division of Medicaid, will be reviewing approved and denied eligibility applications to ensure that the appropriate people received the appropriate decisions.

- This is presently the only process to review denied eligibility applications.
- This will reduce waste, abuse, and fraud in eligibility, and will further and indirectly reduce administrative costs.
- The PERM findings will be reviewed, extrapolated, and calculated to determine whether any Federal monies are owed.

D. Estimate of Impact to Beneficiaries

There are over 600,000 Medicaid beneficiaries in the State of Mississippi whose medical services are reimbursed through the Medicaid program.

MDoM has the authority to investigate beneficiaries and impose sanctions. We anticipate that there will be a significant, positive impact across the entire Mississippi Medicaid system. Additionally, the project will benefit all Mississippi residents and CMS through a reduction in fraudulent, billing, and overpayment-related claims, which will

decrease the loss of resources to the Medicaid program. These saved resources can then be better allocated toward providing timely, effective and appropriate care for all Medicaid recipients.

E. Description of Magnitude of the Transformation/System Change

The proposed project will enable MDoM to more efficiently and effectively identify and prevent payment errors before payment is made and recovery totals in the post-payment arena. The project will also make the identification of errors more efficient for both Medicaid and providers, which will enable Medicaid to increase the scope, type, frequency and effectiveness of identification and recovery activities. In terms of magnitude, it will allow MDoM to not only compare its cost savings and recovery statistics against previous years but also against the cost savings and recovery statistics of other states. In addition to providing a necessary measuring stick, the project will allow MDoM to collaborate with others who may be performing more effectively.

This project will transform the state's approach to reducing costs to the Medicaid program by identifying possible deficiencies in the area of program integrity, providing alternative methods for reducing fraudulent activities, and through identifying and aiding in the implementation of best practices.

F. Description of Sustainability of the Project

By intercepting fraud before it has occurred Mississippi will be able to reduce and avoid costs, as well as send the message that fraudulent activities will not be tolerated. This reduction in actual costs to the State will allow MDoM to reinvest the cost savings into expansion and maintenance of the program after the grant funds have been exhausted. The grant funds will be used for infrastructure development and program planning and implementation.

MDoM maintains that this project will be an innovative method for improving the effectiveness and efficiency in providing medical assistance under Medicaid, which is the goal of the Deficit Reduction Act. This project could result in a reduction of the overall Medicaid costs for the state. If a reduction is realized, a State Plan Amendment will be submitted seeking authorization for use of state and federal funding to facilitate MDoM's continued support and sustainability of this project.

G. Evaluation Plan

The agency proposes to solicit the services of a physically and functionally independent organization to conduct requirements for the PERM project, and will utilize the results to assist in the development of an adaptable process for MDoM to continue when the two-

year grant period ends. MDoM will comply with all reporting requirements set forth by the federal government, specifically section 1903(z)(3)(C)(ii) and (iii) of the Social Security Act, and the State.

By having trained staff on-site that are familiar with the results of the PERM process, MDoM should be able to assist in its continued management. This project should also aid the state in conducting self-assessment reviews, and assessing its strengths and vulnerabilities to improper payments and financial losses. As enhancements are made to program integrity activities the state is likely to realize substantial cost savings, and to experience a positive return on investment as a result of this project.

Reporting

The following reports will be prepared for MDoM for submission to CMS:

1) Active and negative sample selection listings (due the 15th of November 2007 and then on the 15th of each subsequent month).
2) Detailed eligibility findings based on 100 percent of the eligibility reviews (due the 150th day after the end of each sample month).
3) Payment review findings on each sampled case (due within 60 days after the first day of the month in which the claims collection process begins or 215 days after the end of the sample month for 100 percent of the cases reviewed in that month.
4) Summary eligibility and payment findings and the eligibility error rates for each program (due July 1, 2009).

H. Description of the Project Implementation Readiness

The State of Mississippi is required to perform the eligibility portion of PERM for CMS in federal fiscal year (FFY) 2008. In the Federal Register publication dated August 28, 2006, CMS estimated that it will take the average state 9,980 hours to complete the eligibility testing for each program (Medicaid and SCHIP). MDoM proposes to contract with a vendor capable of providing all necessary functions and the required analysis. Preliminary discussions have been conducted with an organization that has performed PERM and eligibility services for other states. The PERM eligibility review will include both Medicaid and State Children's Health Insurance Program (SCHIP) cases.

Following is the projected timeline for the project.

First Quarter

Hiring of Staff (through life of project and beyond)
Dedicated Staff will be hired to assist in the management and provide oversight of the PERM Contractor; conduct quality control performance audits; assist in the development and submission of required reports; continue PERM process; and identify best practices for implementation in area of program integrity.

First Quarter- Planning Phase and Sampling Plan:

- Determine logistics regarding populations for the monthly samples, and other administrative issues.
- Contractor will submit a detailed Engagement Plan for the project.

Second Quarter through Fifth Quarter

- Samples will be selected from the Medicaid and SCHIP case population each month.
- Eligibility findings will be provided to MDOM to assist with obtaining case payment information.

Reporting Responsibilities:

- Active and negative sample selection listings
- Detailed eligibility findings based on 100 percent of the eligibility reviews
- Payment review findings on each sampled case
- Summary eligibility and payment findings, and the eligibility error rates for each program

Planning

The planning phase will begin as soon as an award announcement is made. It will start with an organizational meeting with Division staff responsible for the PERM project. That meeting will work out logistics regarding obtaining the populations for monthly samples, coordinating the collection of eligibility files in one location in Jackson, determining Division staff responsible for reporting and questions, plus other issues such as timing, protocols for issues hindering our timely completion of this project, etc. After the completion of the meeting, MDoM will adopt a detailed Engagement Plan for the project.

Monthly Samples

The samples will be selected from the Medicaid and SCHIP case population each month. The reviews will look at both active cases and negative cases (cases that were denied or terminated from the program). Thus, there will be four sample each month, active and negative samples for Medicaid and active and negative samples for SCHIP. A case is defined as an individual beneficiary, not a household or family unit. Cases included in the Medicaid universe include those whose services are paid with Title XIX funds. Cases included in the SCHIP universe include those whose services are paid with Title XXI funds (this includes Medicaid-expansion cases that are funded by SCHIP). The active universe must be divided in three stratums: applications, redeterminations, and all other cases. The negative cases are not divided. At the end of each month, MDoM would supply the universe data and stratify the active cases for that month. Our responsibility would be to review the data for completeness, proper classification and stratification. By the 15th of the following month, we will evaluate the data

and select the samples. It is estimated a sample of 504 active and 204 negative Medicaid cases would be sampled evenly over the 12 month period. The same sample sizes will be selected for the SCHIP program as well. In total 118 cases will be reviewed each month. The results of the case review will determine eligibility findings for reporting to CMS. In addition, the eligibility findings will drive the payment review findings. We will supply the eligibility findings to MDoM to assist with obtaining case payment information.

PROJECTED TIMELINE FOR IMPLEMENTATION
(Implementation by Quarters)

PROJECT ACTIVITY	FFY 2008 (October 2007 – September 2008)				FY 2009 (October 2008 – September 2009)			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	5th Qtr	6th Qtr	7th Qtr	8th Qtr
STAFF PROGRAM INTEGRITY INVESTIGATOR								
INITIAL PLANNING & SAMPLING PLAN								
MONTHLY SAMPLES								
REPORTING								

I. Budget

Year 1, Federal Fiscal Year 2007 (October 2007-September 2008) $879,100

Year 2, Federal Fiscal Year 2008 (October 2008-September 2009) $871,600

Total Estimated Funding Requirements for Each Year

LINE ITEM	YEAR 1	YEAR 2
Personnel/Fringe Benefits		
Program Integrity Investigator	$30,000	$30,000
Fringe Benefits 32%	9,600	9,600
SUB-TOTAL		
Contractual Cost, including Consultant Contracts, Reporting and Travel Expenses		

PERM Contractor	$820,000	$820,000
Supplies (including postage and printing)	$2,000	$2,000
Equipment	$7,500	-0-
Other Costs Travel/Training	$10,000	$10,000
TOTAL	$879,100	$871,600