Putting Medicaid Payments in Perspective

- An estimated $553B paid in 2016 (22\textsuperscript{st} largest GDP in the world)
- Up to 10\% or $55B is estimated to be fraud, waste, or abuse
- Largest piece of total state budget (28\%)

Sources:
https://www.macpac.gov/subtopic/medicaids-share-of-state-budgets/
http://jamanetwork.com/journals/jama/article-abstract/1148376
Auditing a Foreign Country

- California’s $82B in Medicaid would be the 67th largest GDP and Vermont’s $1.7B the 174th
- Medicaid has its own
  - Language
  - Terms
  - Codes
  - Practices and Procedures
  - Accepted Behaviors
- There is a learning curve and subject matter experts are critical

Data Analytics

- A box full of tools designed to help the analyst, auditor, or investigator extract meaningful information from data sources
Getting the Whole Picture

- Analytics applications allow
  - high-level analysis required to identify risk bearing areas
  - deep-dive analysis that includes every transaction
- The inclusion of every transaction maximizes the ability to identify risk bearing patterns of behavior
- The use of additional data sources and multiple variables helps to see the entire picture

Medicaid Auditing Needs a Plan and Process

- The first challenge is to reduce the scope to a manageable, auditable level
- For example
  - All Medicaid claims->
  - Type of Medicaid Expenditure->
  - Sub-Type or Class of Expenditure->
  - Specific Vendors or Transactions
- Three phase process:
  
  *Assess – Investigate – Harvest*
Assess - Investigate - Harvest

- An iterative process that relies heavily on analytic capabilities
  - Assess
    - Calculate basic and more sophisticated metrics which quantify behaviors
    - Use subject matter expertise and visualizations to develop a hypothesis
  - Investigate
    - Use analytic capabilities, algorithms, and risk measuring capabilities to identify the areas of interest
    - Examine, validate, and reconcile individual transactions
  - Harvest
    - Extract the benefit from the information and knowledge generated by the investigative analysis

Assess

- Identify business need and select audit area
- Determine the data sources
- Clean the data
- Assess the data (subject matter experts)
- Merge and cross reference data from multiple sources
- Create aggregations, metrics, and value-based ratios
Example Assessment

• Combine, clean, and understand claims, provider information, member information

• Identify a high-interest area (e.g., lab drug tests)
  • Use subject matter expertise combined with confirmation that the area involves a high spend using analytics
  • Research regulations, bulletins, laws

• Create metrics by lab per period. For example,
  • % of lab claims with drug tests/month
  • % of drug tests using expensive, high-technology tests/quarter
  • Number of tests provided per drug test visit/year
Investigate

- Find outliers
- Identify unusual repeated patterns or clusters
- Create rules to identify violations
- Build risk scores from multiple variables and violations
- Order by risk
- Use machine learning build models to identify FWA patterns
- Visualize results
- Narrow focus to providers, transactions, or members for audit

Example Investigation
Harvest

- Use the results generated to conduct audits and publish reports that recommend recovery strategies & system edits to prevent future inappropriate payments
- When and how the harvest is made is totally dependent on the organization, its resources and its needs
- Save results from along the way for future assessment

Example Harvest

- Audit the highest risk labs found in the investigation
- Identify payments from labs conducting inappropriate drug test panels for agencies to recoup
- Recommend edits to prevent systemic lab abuses
Visualizations and Reporting

![Visualizations and Reporting]

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State Auditors are Underutilized in the battle against Medicaid fraud, waste, and abuse

- State Auditors are subject matter experts in
  - the Medicaid program
  - data mining and analytics
  - program performance and compliance, fraud investigation, and uncovering waste and abuse

- State Auditors are independent of the agencies they audit and independent of political administrations, allowing them to apply consistent, fair, and appropriate standards despite any political pressures that may arise.

- Medicaid program integrity departments may not be independent

- The combination of these skills and independence make the State Auditors a valuable resource that is currently underused in the fight to reduce improper Medicaid payments.
The Future

- It is time to rethink the strategy used in identifying Medicaid system weaknesses that allow for improper payments and FWA with new tools and processes.
- Reducing escalating costs calls for the development of an effective, sustainable strategy to combat the growth of FWA, a problem that is growing at a rate many times that of the resources employed against it.
- Use nationwide resources to combat a nationwide problem.

Maximizing Results Through Cooperation and Investment in Analytics

- Sharing subject matter knowledge.
- Sharing data allows greater insight into behaviors and makes analyses more accurate and precise.
- Sharing results prevents inefficient replication of process.
- Projects created from one state’s investigation can be leveraged by other states electronically.
- Efficiencies that can be applied to existing audits.
Summary

- State Auditors have been historically underutilized in the national fight against improper payments and FWA.
- It is far more efficient to identify and address weaknesses in Medicaid to stop improper payments than to employ the current pay and chase strategy.
- The infrastructure of expertise, audit experience, personnel, and common auditing standards are already in place.
- New tools are available for us to analyze entire data sets more efficiently.
- The remaining barriers can be overcome with proper funding and cooperation.