COMMONWEALTH of VIRGINIA

Department of Medical Assistance Services

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September 17, 2019

MEMORANDUM

TO: The Honorable Thomas K. Norment, Jr.
Co-Chairman, Senate Finance Committee

The Honorable Emmett W. Hanger, Jr.
Co-Chairman, Senate Finance Committee

The Honorable S. Chris Jones
Chairman, House Appropriations Committee

FROM: Karen Kimsey KK
Director, Virginia Department of Medical Assistance Services

SUBJECT: Status of Improper Payment Prevention Pilot

This report is submitted in compliance with the Virginia Acts of the Assembly – Section 32.1-319.1 of the Code of Virginia, which states:

> 2. *The Department of Medical Assistance Services shall report to the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance (i) by August 1, 2019, on the Department's progress in designing and implementing the pilot program established in accordance with the provisions of this act and (ii) by February 1, 2020, on the effectiveness of the pilot program established pursuant to this act in mitigating the risk of improper payments to providers.*

Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

JSL/LE

Enclosure

Pc: The Honorable Daniel Carey, M.D., Secretary of Health and Human Resources

Status of Improper Payment Prevention Pilot

A Report to the General Assembly — *August 1, 2019*

Report Mandate:

Section 32.1-319.1 of the Code of Virginia states: A. The Department shall conduct a pilot program to develop and implement means to mitigate the risk of improper payments to providers of services furnished under the state plan for medical assistance and all applicable waivers. The pilot program shall include the use of predictive modeling, provider profiling, trend analysis, and other analytics to identify providers with a high likelihood of fraud, abuse, or error and prevent payments on potentially fraudulent or erroneous claims from being made until such claims have been validated.

B. The Department may enter into a contract or agreement with a vendor for the operation of the pilot program to mitigate the risk of improper payments to providers of services furnished under the state plan for medical assistance and all applicable waivers required by this section. However, selection of a vendor shall be dependent on the demonstration of a proof of concept, prior to entering into a contract or agreement.

2. That the Department of Medical Assistance Services shall report to the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance (i) by August 1, 2019, on the Department's progress in designing and implementing the pilot program established in accordance with the provisions of this act and (ii) by February 1, 2020, on the effectiveness of the pilot program established pursuant to this act in mitigating the risk of improper payments to providers.

Executive Summary

The Department of Medical Assistance Services (DMAS) has been directed to establish a data analytics pilot to mitigate the risk of improper payments to all Medicaid managed care and fee-for-service providers. The development of this plan is underway, however, progress has been impacted by an amendment approved during the 2019 Session that broadened the scope of work as well as vendor requirements. DMAS has re-worked the RFP and project plan as a result of these changes, and looks to have the project fully implemented by March 2020.

Background

The Code of Virginia § 32.1-319.1, amended during the 2019 Session, tasks DMAS with further expanding its existing program integrity and fraud prevention activities through the procurement and integration of an analytical software tool within its data systems. When this project first began following the 2017 Session, DMAS dedicated substantial resources to researching similar implementations for

About DMAS and Medicaid

DMAS' mission is to improve the health and well-being of Virginians through access to high-quality health care coverage.

DMAS administers Virginia's Medicaid and CHIP programs. Through the Medallion 4.0 and Commonwealth Coordinated Care (CCC) Plus managed care programs, more than 1 million Virginians access primary and specialty health services, inpatient care, behavioral health, and addiction and recovery treatment services. In addition, Medicaid long-term services and supports enable thousands of Virginians to remain in their homes or to access residential and nursing home care.

Medicaid members historically have included children, pregnant women, parents and caretakers, older adults, and individuals with disabilities. In 2019, Virginia expanded the Medicaid eligibility rules to make health care coverage available to close to 400,000 newly eligible, low-income adults.

Medicaid and CHIP (known in Virginia as Family Access to Medical Insurance Security, or FAMIS) are jointly funded by Virginia and the federal government under Title XIX and Title XXI of the Social Security Act. Virginia generally receives a dollar-for-dollar federal spending match in the Medicaid program. Medicaid expansion qualifies the Commonwealth for a federal funding match of no less than 90 percent for newly eligible adults, generating cost savings that benefit the overall state budget.

Medicaid programs in other states (including California, Colorado, Georgia, Massachusetts, Pennsylvania, and Rhode Island) and identifying any existing software with the desired functionality. Through this exploratory phase, DMAS discovered that none of the states interviewed reported the successful implementation of an analytical software for fraud identification and that no software was currently on the market to meet this need.

After due diligence in the research and planning phase, DMAS was able to translate the lessons, insight, and suggestions learned into a Request for Information (RFI) to gain additional input from potential vendors on the feasibility and requirements of this project. Through this process, DMAS received submissions from over ten vendors and was able to use the feedback provided to formalize an RFP to facilitate the selection and procurement of a software solution. The initial RFP was ready to be approved by the Office of the Attorney General (OAG) when the amendment was passed in 2019 adding further requirements to the project.

Concurrently with these developments, DMAS has also been in the process of overhauling its existing Medicaid Management Information System (MMIS). This database houses Medicaid claims and payment information, and through its upgrade into the Medicaid Enterprise System (MES) will have enhanced capabilities through its integrated, modular interface. Of relevance to the Improper Payment Prevention Pilot is the development of the Fraud and Abuse Detection System (FADS) module of MES. Following the planned launch of MES in December 2019, FADS will provide a comprehensive case-tracking and information sharing interface for fraud investigations and will be fully integrated with DMAS claims and payment databases. FADS allows the sharing of provider claims data across health plans, DMAS units, and other relevant parties and software procured through this pilot program will directly integrate with MES and FADS.

At present, DMAS is awaiting the completion of the internal review process for the revised RFP as well as an estimated budget for the project. Once finalized, it is expected that the OAG will have an expedited review process as a result of having previously worked with the initial RFP for this project. DMAS anticipates to have the RFP published by August 2019 and will hold a required pre-proposal conference in September 2019 for all interested vendors. Once proposals are received, DMAS will provide vendors with a sample dataset to facilitate the required Proof of Concept exercise and ensure their approach is feasible and that the vendor possesses the requisite skills to work with complex medical data. It is anticipated that a vendor will be selected through this process by January 1, 2020.

Managed Care Scope Expansion

The expansion of the scope of the Improper Payment Prevention Pilot to include managed care claims represents a substantial change to pilot design and implementation, as identifying, validating, and preventing these claims presents unique challenges. As DMAS continues to utilize a managed care approach for a substantial volume of service delivery, however, expansion of this initiative to include claims under this model is necessary for a viable program. Collaborating with the managed care plans to understand and integrate this pilot with their existing prepayment processes and fraud identification tools will be an essential element of a successful implementation of this program.

Enhanced Federal Match Eligibility

Appropriations for this initiative rely on federal matching funds to support this effort. DMAS is looking to leverage funding for innovative and/or experimental technology projects that the Centers for Medicare & Medicaid Services (CMS) provides through an enhanced administrative claiming match. DMAS will apply for this match through the submission of an Advanced Planning Document (APD) once the internal budget is finalized and approved, and will work closely with CMS to make any necessary revisions to the project to ensure that it is eligible for this enhanced federal funding.

Current Work Plan

See the following page for key dates and accomplishments surrounding the implementation of the Improper Payment Prevention Pilot.

Conclusion

DMAS continues to work towards the successful implementation of a software tool to both identify the prevalence of improper payments in the Virginia Medicaid system and enhance its fraud detection and prevention capabilities. As required in Code of Virginia § 32.1-319.1, DMAS will provide another progress update detailing the vendor selection process and a status update on project implementation by February 1, 2020. As the implementation of this project has been delayed, a full evaluation of its findings and effectiveness won't be available to the General Assembly until an initial review of the pilot is completed six months after full implementation.

Work Plan for the DMAS
Improper Payment Prevention Pilot

ITEM #	TASK	START DATE	DUE DATE	Complete
1	Develop draft RFP based on interviews with other states, vendor informational responses, review of prior contracts	8/1/2018	12/15/2018	X
2	Revise RFP to comply with new requirements per legislation	3/31/2019	4/15/2019	X
3	Meet with stakeholders to add proof of concept to RFP	4/15/2019	5/16/2019	X
4	Draft Advance Planning Document for enhance federal match and submit to CMS	4/1/2019	6/3/2019	
5	Prepare and Report to General Assembly 1st Update	5/31/2019	08/1/2019	X
6	Distribute RFP draft for internal review and incorporate feedback	5/16/2019	6/14/2019	
7	Draft of RFP to Office of the Attorney General (OAG) for review and comment	6/14/2019	7/29/2019	
8	Incorporate OAG comments in Draft RFP	7/30/2019	8/15/2019	
9	Publish RFP	8/16/2019	8/16/2019	
10	Vendor Letter of Intent due to DMAS	8/30/2019	8/30/2019	
11	Pre-proposal conference and deadline for submission of written questions	9/13/2019	9/13/2019	
12	Prepare and distribute responses to questions	9/16/2019	10/14/2019	
13	Proposals due to Department	10/28/2019	10/28/2019	
14	Vendors engage in Proof of Concept exercise	10/28/2019	11/27/2019	
15	Proposal evaluation	10/28/2019	11/27/2019	
17	Evaluate Proofs of Concept	12/2/2019	12/6/2019	
18	Negotiations	12/9/2019	12/16/2019	
19	Obtain approval to post notice of intent to award	12/17/2019	12/24/2019	
20	Post notice of intent to award	12/17/2019	12/17/2019	
21	Protest, if any (10 day period required)	12/17/2019	12/30/2019	
22	Execute and sign contract	1/2/2020	1/2/2020	
23	Prepare and Report to General Assembly 2nd Update	12/2/2019	2/11/2020	
24	Startup – develop implementation plan/timeline and develop requirements analysis document	1/17/2020	3/2/2020	
25	Go live (Begin Design and Implementation work)	3/6/2020	3/6/2020	