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Department of Medical Assistance Services

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April 10, 2020

MEMORANDUM

TO: The Honorable Janet D. Howell
     Chairman, Senate Finance Committee

     The Honorable Luke Torian
     Chairman, House Appropriations Committee

     Daniel Timberlake
     Director, Department of Planning and Budget

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

SUBJECT: Status of Improper Payment Prevention Pilot directed under § 32.1-319.1 of the
     Code of Virginia

This report is submitted in compliance with the Code of Virginia § 32.1-319.1 which 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 of 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.

KEK/

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   *February 1, 2020*

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 General Assembly (GA) Session that broadened the scope of work as well as vendor requirements. The GA also created a new requirement in 2019 that technology procurements such as this be subject to extensive review by the Virginia Information Technology Agency (VITA) prior to publishing the Request for Proposal (RFP). The combination of reviews by the Centers for Medicare and Medicaid Services (CMS), Virginia Office of the Attorney General (OAG), and (VITA) has delayed the issuance of the Request for Procurement (RFP) and necessitated adjustments in the proposed project plan.

DMAS

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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. An RFP implementing the original mandate 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. These requirements included a broadened scope to include managed care and adding a "proof of concept" element to the proposal evaluation process. In addition, a "high-risk" contract review was created by HB 1668 of the 2019 GA session, creating a new requirement for this procurement to be reviewed by VITA prior to being published.

DMAS completed revisions to the RFP based on these new requirements and submitted it on July 9, 2019 to CMS to review for the enhanced federal match. After receiving approval from CMS, the RFP was sent for review by OAG and VITA in late September 2019. VITA and OAG each provided initial comments in October 2019. Since October, DMAS has been working with VITA and OAG jointly to resolve substantial discrepancies in their respective revisions. DMAS believes these issues have been addressed in the most recent drafts of the RFP and intends to publish the RFP by March 2020.

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. While several legislatively-mandated changes have delayed the implementation schedule for this project, they will help DMAS to select a superior vendor and implement an effective preventive analytics program. As the implementation of this project has been delayed, a full evaluation of its findings and effectiveness will not be available to the General Assembly until an initial review of the pilot is completed six months after full implementation.