

---

SENATE BILL 6466

---

State of Washington

62nd Legislature

2012 Regular Session

By Senators Holmquist Newbry, Harper, Hewitt, Hatfield, Kilmer, Fain, Schoesler, Ericksen, Shin, Sheldon, Keiser, Becker, King, and Padden

Read first time 01/24/12. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to improving program integrity for medicaid and the  
2 children's health insurance program by implementing waste, fraud, and  
3 abuse prevention, detection, and recovery; and adding a new chapter to  
4 Title 74 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** It is the intent of the legislature to  
7 implement waste, fraud, and abuse detection, and prevention and  
8 recovery solutions to improve program integrity for medicaid and the  
9 children's health insurance program in the state and create efficiency  
10 and cost savings through a shift from a retrospective "pay and chase"  
11 model to a prospective prepayment prevention and detection model.

12 NEW SECTION. **Sec. 2.** The definitions in this section apply  
13 throughout this chapter unless the context clearly requires otherwise.

14 (1) "Children's health insurance program" means the children's  
15 health insurance program established under Title XXI of the social  
16 security act, 42 U.S.C. Sec. 1397aa et seq.

17 (2) "Enrollee" means an individual who is eligible to receive

1 benefits and is enrolled in either the medicaid or children's health  
2 insurance programs.

3 (3) "Medicaid" means the program to provide grants to states for  
4 medical assistance programs established under Title XIX of the social  
5 security act, 42 U.S.C. Sec. 1396 et seq.

6 (4) "Secretary" means the United States secretary of health and  
7 human services, acting through the administrator of the centers for  
8 medicare and medicaid services.

9 NEW SECTION. **Sec. 3.** This chapter specifically applies to:

10 (1) State medicaid programs; and

11 (2) The state children's health insurance program.

12 NEW SECTION. **Sec. 4.** The state shall implement state-of-the-art  
13 clinical code editing technology solutions to further automate claims  
14 resolution and enhance cost containment through improved claim accuracy  
15 and appropriate code correction. The technology must identify and  
16 prevent errors or potential overbilling based on widely accepted and  
17 transparent protocols such as the American medical association and the  
18 centers for medicare and medicaid services. The edits must be applied  
19 automatically before claims are adjudicated to speed processing and  
20 reduce the number of pended or rejected claims and help ensure a  
21 smoother, more consistent and more transparent adjudication process and  
22 fewer delays in provider reimbursement.

23 NEW SECTION. **Sec. 5.** The state shall implement state-of-the-art  
24 predictive modeling and analytics technologies to provide a more  
25 comprehensive and accurate view across all providers, beneficiaries,  
26 and geographies within the medicaid and children's health insurance  
27 programs in order to:

28 (1) Identify and analyze those billing or utilization patterns that  
29 represent a high risk of fraudulent activity;

30 (2) Be integrated into the existing medicaid and children's health  
31 insurance program claims workflow;

32 (3) Undertake and automate such analysis before payment is made to  
33 minimize disruptions to the workflow and speed claim resolution;

34 (4) Prioritize such identified transactions for additional review

1 before payment is made based on likelihood of potential waste, fraud,  
2 or abuse;

3 (5) Capture outcome information from adjudicated claims to allow  
4 for refinement and enhancement of the predictive analytics technologies  
5 based on historical data and algorithms within the system; and

6 (6) Prevent the payment of claims for reimbursement that have been  
7 identified as potentially wasteful, fraudulent, or abusive until the  
8 claims have been automatically verified as valid.

9 NEW SECTION. **Sec. 6.** The state shall implement fraud  
10 investigative services that combine retrospective claims analysis and  
11 prospective waste, fraud, or abuse detection techniques. These  
12 services must include analysis of historical claims data, medical  
13 records, suspect provider databases, and high-risk identification  
14 lists, as well as direct patient and provider interviews. Emphasis  
15 must be placed on providing education to providers and ensuring that  
16 they have the opportunity to review and correct any problems identified  
17 prior to adjudication.

18 NEW SECTION. **Sec. 7.** The state shall implement medicaid and  
19 children's health insurance program claims audit and recovery services  
20 to identify improper payments due to nonfraudulent issues, audit  
21 claims, obtain provider sign-off on the audit results, and recover  
22 validated overpayments. Postpayment reviews must ensure that the  
23 diagnoses and procedure codes are accurate and valid based on the  
24 supporting physician documentation within the medical records. Core  
25 categories of reviews may include: Coding compliance diagnosis related  
26 group reviews, transfers, readmissions, cost outlier reviews,  
27 outpatient seventy-two hour rule reviews, payment errors, billing  
28 errors, and others.

29 NEW SECTION. **Sec. 8.** To implement this chapter, the state shall  
30 either contract with the cooperative purchasing network to issue a  
31 request for proposals to select a contractor or use the following  
32 contractor selection process:

33 (1) No later than November 1, 2012, the state shall issue a request  
34 for information to seek input from potential contractors on  
35 capabilities and cost structures associated with the scope of work of

1 this chapter. The results of the request for information must be used  
2 by the state to create a formal request for proposals to be issued  
3 within ninety days of the closing date of the request for information.

4 (2) No later than ninety days after the close of the request for  
5 information, the state shall issue a formal request for proposals to  
6 carry out this chapter during the first year of implementation. To the  
7 extent appropriate, the state may include subsequent implementation  
8 years and may issue additional request for proposals with respect to  
9 subsequent implementation years.

10 (3) The state shall select contractors to carry out this chapter  
11 using competitive procedures as provided for in the state procurement  
12 statute.

13 (4) The state shall enter into a contract under this chapter with  
14 an entity only if the entity:

15 (a) Can demonstrate appropriate technical, analytical, and clinical  
16 knowledge and experience to carry out the functions included in this  
17 chapter; or

18 (b) Has a contract, or will enter into a contract, with another  
19 entity that meets the above criteria.

20 (5) The state shall only enter into a contract under this chapter  
21 with an entity to the extent the entity complies with conflict of  
22 interest standards in the state procurement statute.

23 NEW SECTION. **Sec. 9.** The state shall provide entities with a  
24 contract under this chapter with appropriate access to claims and other  
25 data necessary for the entity to carry out the functions included in  
26 this chapter. This includes, but is not limited to, providing current  
27 and historical medicaid and children's health insurance program claims  
28 and provider database information, and taking necessary regulatory  
29 action to facilitate appropriate public-private data sharing, including  
30 across multiple medicaid managed care entities.

31 NEW SECTION. **Sec. 10.** The following reports must be completed by  
32 the department:

33 (1) No later than three months after the completion of the first  
34 implementation year under this chapter, the state shall submit to the  
35 appropriate committees of the legislature and make available to the  
36 public a report that includes the following:

1 (a) A description of the implementation and use of technologies  
2 included in this chapter during the year;

3 (b) A certification by the department that specifies the actual and  
4 projected savings to the medicaid and children's health insurance  
5 programs as a result of the use of these technologies, including  
6 estimates of the amounts of such savings with respect to both improper  
7 payments recovered and improper payments avoided;

8 (c) The actual and projected savings to the medicaid and children's  
9 health insurance programs as a result of such use of technologies  
10 relative to the return on investment for the use of such technologies  
11 and in comparison to other strategies or technologies used to prevent  
12 and detect fraud, waste, and abuse;

13 (d) Any modifications or refinements that should be made to  
14 increase the amount of actual or projected savings or mitigate any  
15 adverse impact on medicare beneficiaries or providers;

16 (e) An analysis of the extent to which the use of these  
17 technologies successfully prevented and detected waste, fraud, or abuse  
18 in the medicaid and children's health insurance programs;

19 (f) A review of whether the technologies affected access to, or the  
20 quality of, items and services furnished to medicaid and children's  
21 health insurance program beneficiaries; and

22 (g) A review of what effect, if any, the use of these technologies  
23 had on medicaid and children's health insurance program providers,  
24 including assessment of provider education efforts and documentation of  
25 processes for providers to review and correct problems that are  
26 identified.

27 (2) No later than three months after the completion of the second  
28 implementation year under this chapter, the state shall submit to the  
29 appropriate committees of the legislature and make available to the  
30 public a report that includes, with respect to such year, the items  
31 required under subsection (1) of this section as well as any other  
32 additional items determined appropriate with respect to the report for  
33 such year.

34 (3) No later than three months after the completion of the third  
35 implementation year under this chapter, the state shall submit to the  
36 appropriate committees of the legislature, and make available to the  
37 public, a report that includes with respect to such year, the items

1 required under subsection (1) of this section, as well as any other  
2 additional items determined appropriate with respect to the report for  
3 such year.

4 NEW SECTION. **Sec. 11.** It is the intent of the legislature that  
5 the savings achieved through this chapter shall more than cover the  
6 costs of implementation. Therefore, to the extent possible, technology  
7 services used in carrying out this chapter must be secured using a  
8 shared savings model, whereby the state's only direct cost will be a  
9 percentage of actual savings achieved. Further, to enable this model,  
10 a percentage of achieved savings may be used to fund expenditures under  
11 this chapter.

12 NEW SECTION. **Sec. 12.** If any provision of this act or its  
13 application to any person or circumstance is held invalid, the  
14 remainder of the act or the application of the provision to other  
15 persons or circumstances is not affected.

16 NEW SECTION. **Sec. 13.** Sections 1 through 11 of this act  
17 constitute a new chapter in Title 74 RCW.

--- END ---