



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

NATIONAL ASSOCIATION OF MEDICAID PROGRAM INTEGRITY (NAMPI)
29TH ANNUAL CONFERENCE - BALTIMORE, MARYLAND
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MEDICAID MANAGED CARE: HELPFUL HINTS FOR EFFECTIVE MONITORING AND ENSURING COMPLIANCE

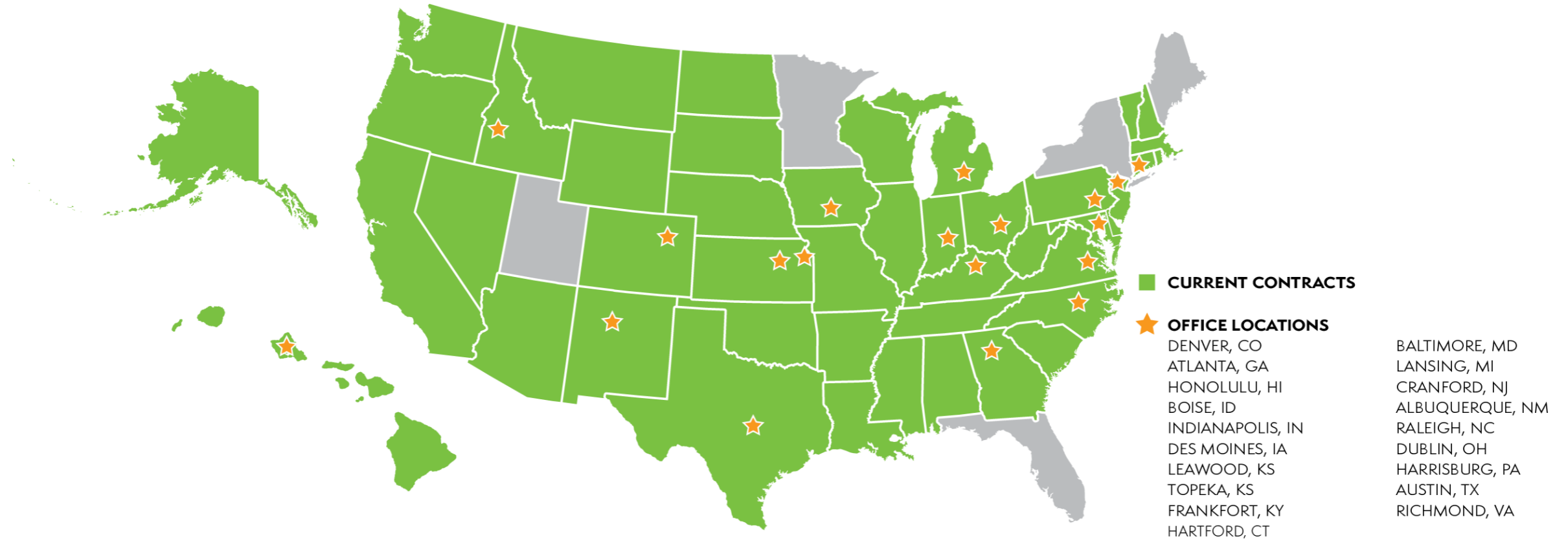
DEDICATED TO GOVERNMENT HEALTH PROGRAMS





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ABOUT US



DEDICATED TO GOVERNMENT HEALTH PROGRAMS

■ PROGRAM INTEGRITY SOLUTIONS

- Recovery Audit Contractor (RAC)
- Managed Care - Auditing and Consulting
- Electronic Health Record (EHR) - Auditing and Consulting
- Health Information Exchange (HIE) Consulting
- Fraud and Abuse Detection Services (FADS)
- Payment Error Rate Measurement (PERM)
- Medicaid Enterprise System (MES) / Medicaid Management Information System (MMIS)
Pre and Post-Implementation Testing
- Financial Reporting - Auditing and Consulting
- Women Infant and Children (WIC) - Audit and Consulting
- Data Analytics
- Customized Program Integrity Audit and Consulting Solutions



■ PROGRAM INTEGRITY LEADERSHIP

The Myers and Stauffer Program Integrity leadership team has unmatched experience providing a broad range of services to state Medicaid agencies across the country.

*health policy analysis and development *managed care program analysis *encounter reconciliation strategies *program integrity *compliance auditing *reimbursement and payment methodologies *expert witness testimony *fraud and abuse detection systems (FADS) *recovery audit contractor (RAC) engagements *Medicaid management information system (MMIS) analyses and auditing *payment error rate measurement (PERM) eligibility auditing *electronic health record (EHR) analyses and auditing.



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MEDICAID MANAGED CARE

Managed Care – A Chronological Approach
to Effective and Efficient Oversight

■ STEP-BY-STEP

- Contracts
- Encounter Data
- Health plan utilization reports and financial performance reports
- Recovery
- Comparison to Other States

■ THE MANAGED CARE MODEL

- Has the potential to create perverse incentives
- Medicaid/CHIP may not be the MCO's primary line of business
- We do not know what we do not know
- The model is prone to errors, even with the best of intentions and careful planning
- For profit, not for profit, and provider sponsored entities – they all need to make money



■ **MANAGED CARE BENEFITS – AUTHORITY**

***Do you have
contractual and
regulatory authority to
pursue mispayments?***

- And why you should care!



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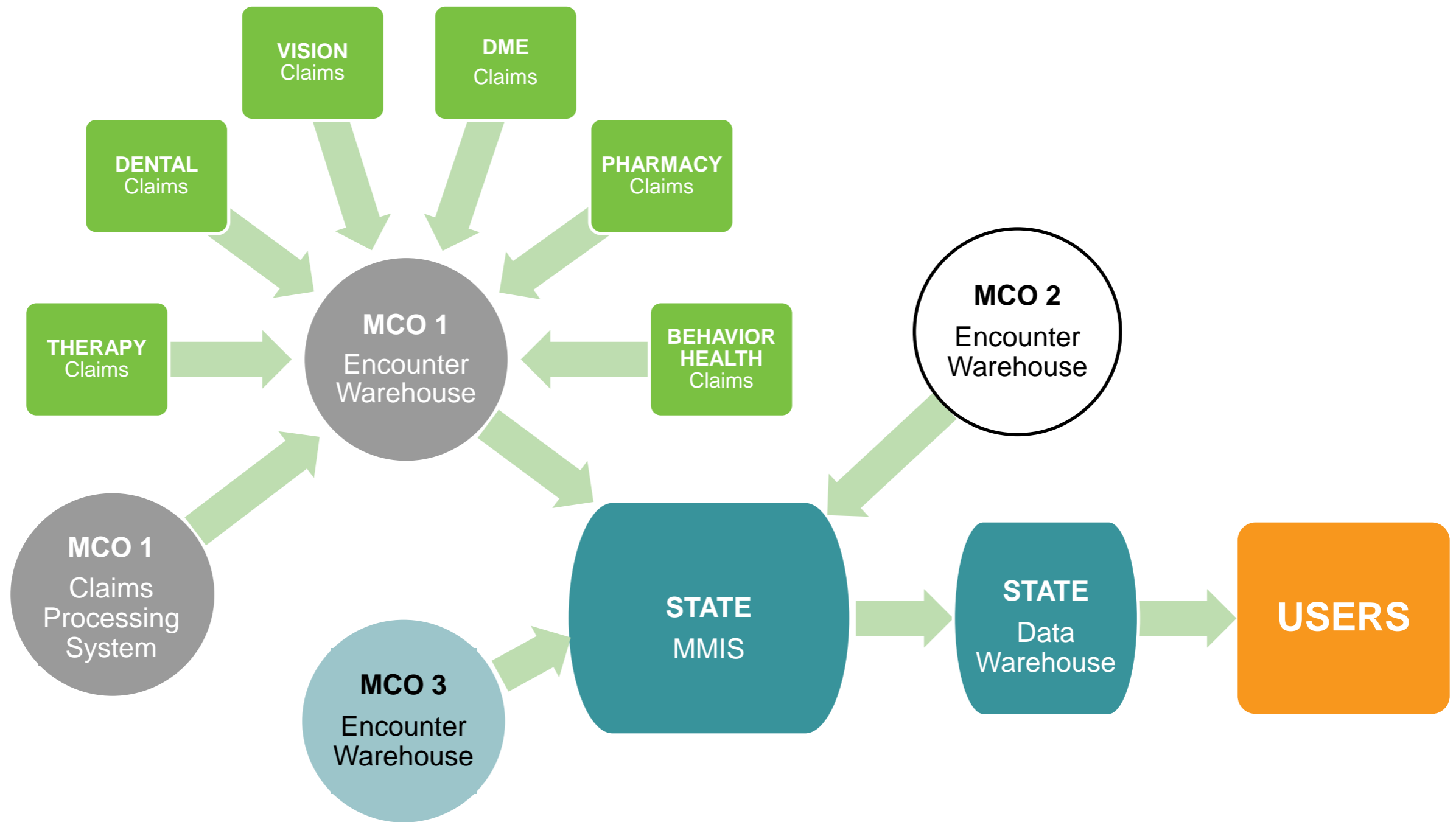


MEDICAID MANAGED CARE

Encounter Reconciliation and Validation



MANAGED CARE BENEFITS – DATA INPUTS





■ MANAGED CARE BENEFITS – THE DATA

Do you have complete and accurate encounter data? Reconcile encounters submitted to the MCO's payments to providers!

- Compare the encounter claims data to financial data maintained by the MCO and its subcontractors.
- Do NOT simply rely on a comparison between the encounter claims in the MMIS and the MCO's encounter data warehouse.



■ MANAGED CARE BENEFITS – THE DATA

Examples of Encounter Data Considerations:

- Duplicate Claims
- Missing Voids or Adjustments
- Split Claims
- Subcontractor Claims
- Other Encounter Claim Issues

■ RISK-BASED MANAGED CARE - MEDICAID*

- **26.7 Million Members**

Approximate Number of Medicaid Members Enrolled in Risk-Based Managed Care as of October 2010.

- **\$104 Billion in Annual Expenditures**

Approximate Annual Medicaid Risk-Based Managed Care State Medicaid Capitation and Premium Expenditures, Federal and State Shares.

*Information from StateHealthFacts.org and the CMS 2011 Actuarial Report on the Financial Outlook for Medicaid.



■ MANAGED CARE COST TYPES

- **Benefit Cost**

Benefit cost falls under the Medical Loss Ratio (MLR). The MLR is the percentage of a premium that a managed care organization (MCO) spends on direct health care (benefits). Benefits are paid to providers, typically through the claims process.

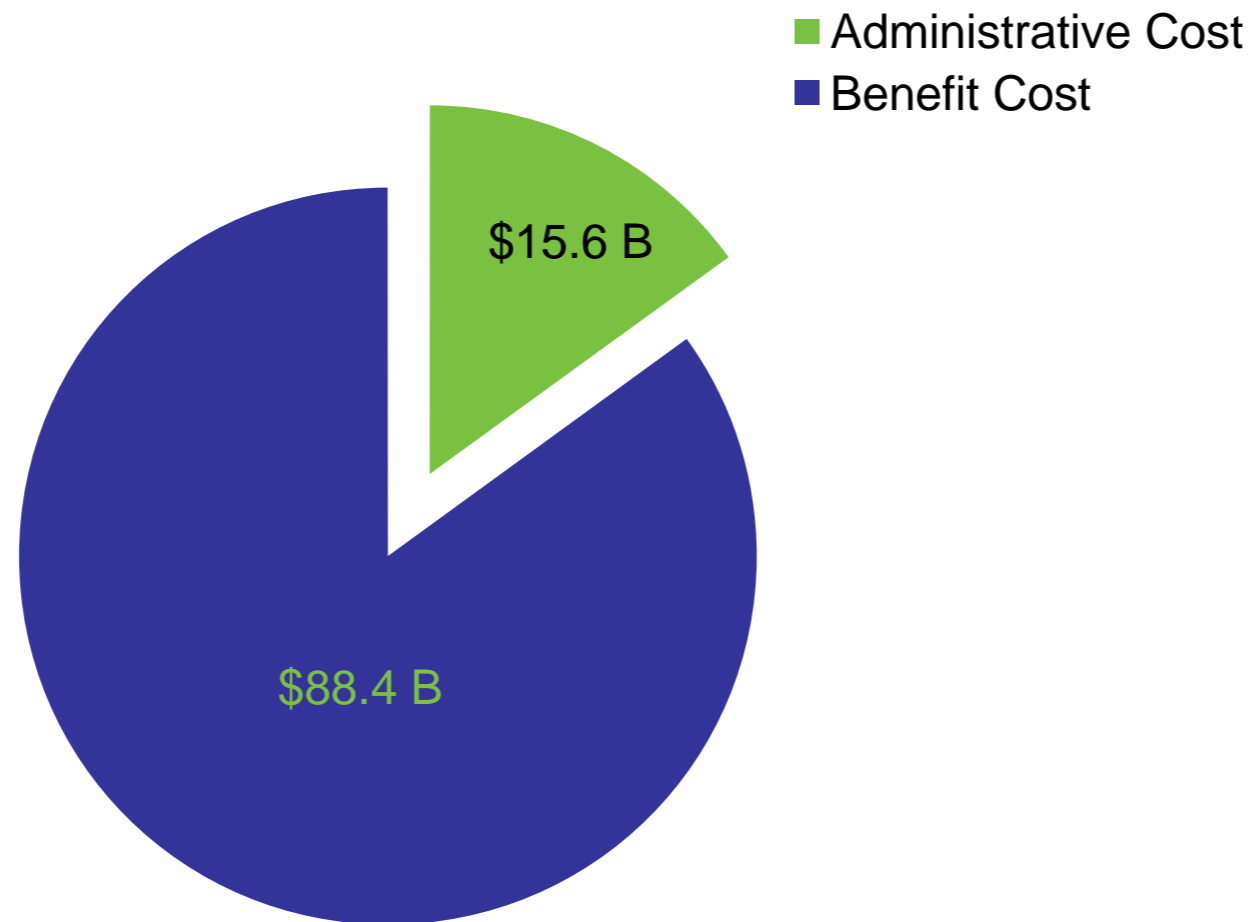
- **Administrative Cost & Profit**

The difference between the premium and the benefit cost. Administrative cost might include costs such as marketing, provider enrollment, utilization review, and other overhead.

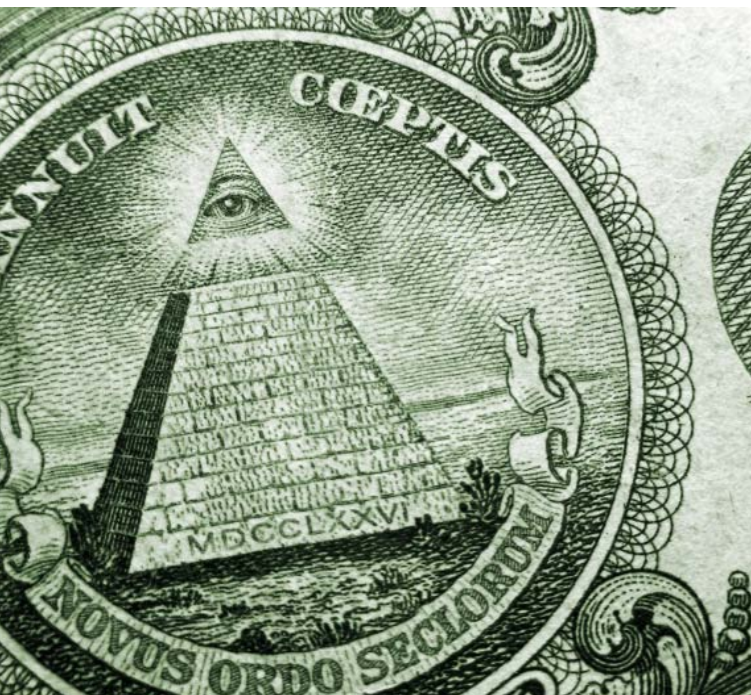
Our analyses assume the average Medicaid MCO MLR is approximately 85, meaning that for every dollar of premium received by an MCO, \$.85 is spent on benefits and \$.15 is spent on administrative cost or maintained as profit.



■ MANAGED CARE EXPENDITURES BY TYPE



Of the approximately \$104 billion in risk-based managed care Medicaid expenditures, approximately \$88.4 billion is spent on benefits and \$15.6 billion on administrative cost.



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Managed Care Fraud and Abuse Detection



■ WHY ANALYZE MANAGED CARE BENEFITS?

ERROR RATE	POTENTIAL OVERPAYMENTS*
1 %	\$884 M
2 %	\$1.77 B
3 %	\$2.65 B
5 %	\$4.42 B
10%	\$8.84 B

**Based on the estimated \$88.4 billion spent annually on managed care capitation and premium benefit cost.*



■ MANAGED CARE BENEFITS – RECOVERY

Primary Methods:

- 1) Recover from MCO
- 2) Recover directly from Provider
- 3) Deduct from Capitation Rates

Note: Underpayments in the managed care environment are not uncommon. Each provider typically has a rate loaded in the MCO claims system and that rate might not match (i.e. might be lower than) the rate in the contract between the MCO and the provider. Reviewing provider contracts is vital to identifying mispayments (under and overpayments) in the managed care environment.



■ MANAGED CARE BENEFITS – ANALYSES

Traditional Medicaid RAC methods that can be applicable in the managed care environment:

- **Data Analytics**

Identify and pursue mispayments identified through algorithms and sophisticated queries, sometimes called the “automated” approach.

- **Targeted Analysis**

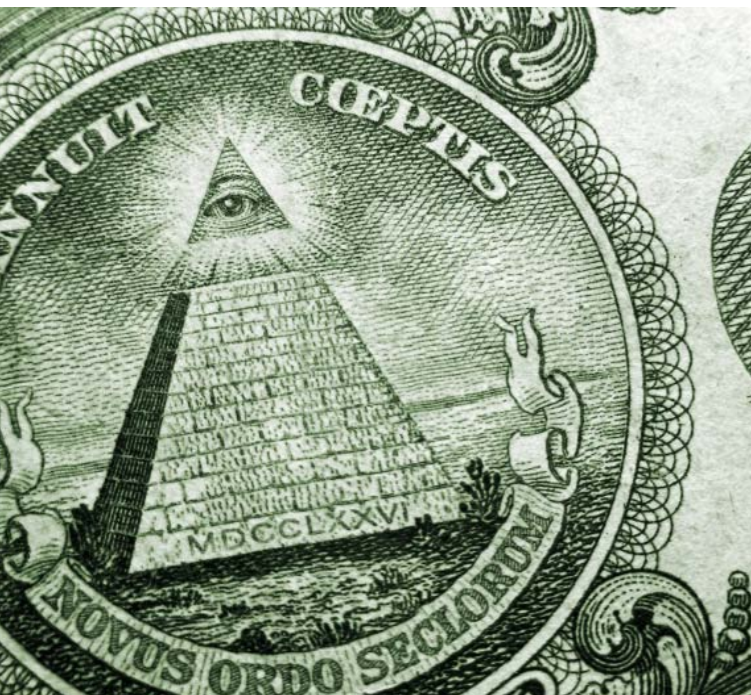
Identify and pursue mispayments identified through targeting high-risk providers or specific issues. This involves on-site or desk review of provider records. This is sometimes called the “complex” approach.



■ MANAGED CARE CAPITATION PAYMENTS

Managed care capitation payments can also be a significant source of mispayments.

- **Duplicate Capitation Payments**
 - Robert Jones; Rob Jones; Baby Boy Jones – different addresses, no SSN, different IDs
 - \$53 Million in duplicate capitation payments recently identified by Comptroller in New York.
osc.state.ny.us/audits/allaudits/093012/11f15.pdf
- **Rate Cell Payment Problems and Other Payment Issues**
 - Wrong Rate Cell
 - Reprocessing of Capitation Payments



MEDICAID MANAGED CARE

How Does Your Program Compare?



■ HOW DOES YOUR PROGRAM COMPARE TO OTHER STATES?

- Which models are they using?
- Which populations are included in the Medicaid Managed Care programs?
- How are rates determined?
- Are encounters being collected and validated?
- Does the Medicaid agency collect overpayments made by health plans? How does this effect rate setting?



QUESTIONS?



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