

NY State Takes Business-like Approach to Curing what's Wrong with Medicaid

ALBANY, NY – NOVEMBER 9, 2010 - The Office of the Medicaid Inspector General (OMIG) in Albany and 12 New York State counties have borrowed a page from the management journal of private enterprise to help them improve the performance and value of their Medicaid programs by offering better care and services while reducing waste, fraud and abuse within the system.

The centerpiece of this approach is a visual data mining software solution developed by Horseheads, NY-based Salient Management Company. Over 25 years ago, the initial version of the software was introduced as a solution for soft drink bottlers and distributors to help improve revenue management. In that arena the tool is able to track millions of transactions by time, category, region, retailer or salesperson, and quickly identify business outliers, or anomalies, with the ability to drill down to the root cause. The manager can then use this full accounting of the facts to make the best possible decisions for the business. It works basically the same way in the healthcare sector – it will uncover the recipient and/or provider outliers and enable the user to decide, on the fly, whether to drill deeper, launch an investigation or take some other action. One county using the Salient solution, for example, discovered a Medicaid recipient filling 7 different prescriptions for Oxycodone from 7 different doctors at 7 different pharmacies.

“We have made a substantial investment in technology and human resources,” says Jim Sheehan, NY State’s Medicaid Inspector General. “This is a tool that allows us to apply some of the techniques used to eliminate white collar crime in the healthcare segment. We simply cannot do it by hand. This is the wave of the future. We have to use technology. We have to change the way we approach our measurement of what we are doing in terms of cost avoidance and compliance, and at the same time rely on the sentinel impact to drive a cultural shift in the behavior of our participating providers and recipients.”

Controlling Medicaid costs is critical to state and county legislators. New York spends more than \$50 billion annually – representing nearly 30 percent of its total health care economy – in support of its Medicaid program, which includes about 70,000 providers, 4.6 million recipients, and more than 200 million claims a year (or “transactions,” in business parlance). The state’s decision to use Salient products to help oversee this enormous undertaking will allow the taxpayers and their local governments gain from the careful scrutiny offered by the sophisticated Salient software, according to Sheehan.

“Medicaid holds enormous influence over New York’s economic well-being,” says Stephen J. Acquario, Executive Director of the New York State Association of Counties (NYSAC). Currently the Federal government pays half of Medicaid, the State picks up 35 percent of the tab and the county pays the 15 percent balance, “and county after county say its share of the Medicaid bill - even though it’s now capped -accounts for the largest program expenditure, and its continued growth is unsustainable,” Acquario points out.

New York State is trying to control the spending by reducing the amount of Medicaid money lost to system fraud, waste and/or abuse. One of the first steps in this process was to establish the OMIG in 2006. The OMIG partners with many state agencies, including the New York State Attorney General's Medicaid Fraud Control Unit (MFCU) and the Department of Health. While no one actually knows the true cost of Medicaid misuse in New York – or anywhere else for that matter – the state knows to the dollar by how much it wants to cut those losses. The Governor's office has set a financial goal for the OMIG of \$1.17 billion in state share recovery and cost avoidance for FY 2010-11, an increase of \$300 million from FY 2009-10.

OMIG's approach to program integrity includes transparent communication with healthcare providers about the nature and causes of improper payments; identification of improper payments; prevention and early detection; development of effective internal compliance programs and controls; and, with the help of the Salient solution, effective use of visual data mining, data analysis, and integration of New York's data system to reduce costs and improve quality. The agency is focused on pharmacy, home health, high ordering physicians, dental, and managed care, and is targeting its efforts on the 80/20 rule – areas that will lead to the greatest benefit. The plan not only addresses resource recovery, cost avoidance and system efficiency, but also endeavors to improve the quality of care. Importantly, the OMIG plan is designed to inspire a "sentinel effect" on provider and recipient behavior, and not just on a "pay and chase" proposition.

Presently 12 New York counties are up and running with Salient's Medicaid solution with varying degrees of success, and the OMIG is wrapping up a training program for 172 of its staff members, including auditors, investigators and data analysts.

"Working with Salient's state-of-the-art products and its professional staff will enhance New York's ability to identify and prevent Medicaid fraud, waste and abuse," Sheehan says. "Other states look to New York for innovations in recovering improper Medicaid payments. Once our staff is fully trained, I am confident that the rest of the country will see even greater success, thanks to the abilities of this product, developed right here in the Empire State."

Background:

New York spends more for Medicaid than any other state in the country. Only education gets more annual funding in New York than does Medicaid. According to the Medicaid Institute at United Hospital Fund, which was established in 2005 to analyze the state's program, if New York's Medicaid initiative were a private business, it would be a Fortune 50 company; if it were a private insurance company, it would rank in the top 10 in the nation in terms of covered lives.

Rensselaer County, where one out of every seven residents was on Medicaid in 2009 to the tune of \$227 million (a 57 percent increase since 2002), has been able to save and recoup a total of \$461,000 in Medicaid costs and \$50,000 more in other services through the use of the Salient solution and other programs. The savings have come through discovery of benefits paid after death; abnormal care usage; generic versus brand name drugs; multiple doctors and pharmacies for the same recipients; and the effectiveness of treatment for high cost illnesses, such as diabetes, asthma and heart disease. At a New York State Senate hearing on Medicaid Fraud in March, Rensselaer County Executive Kathy Jimino testified that through the use of technology, her county leadership is having discussions that could potentially save lives as well as dollars. "With Salient we can identify high cost diagnosis that, when reviewed by healthcare providers, can be used to help shape programs with better success and lower costs."

Chemung County Executive Tom Santulli, an early adopter of the Salient solution and still one of its most vocal supporters (Salient's headquarters city of Horseheads is located in Chemung County), told the same Senate hearing in March: "We know how all of our \$160 million is spent on Medicaid, and we have 17,000 people in the program - 1 out of 5 residents. Only New York City has a higher percent of its population enrolled in the Medicaid program. [Salient] is so powerful ... [NY State] can save \$4 to \$5 billion in Medicaid costs without cutting one benefit. This could revolutionize the way we manage healthcare."

Santulli is not far off when he speaks of revolutionizing healthcare. In NY State Medicaid recipients are either enrolled in a managed care organization or, if their condition is too chronic or the county does not mandate a managed care environment, they become fee-for-service eligible, meaning a provider gets a fee for every service provided and the recipient has virtually carte blanche on whom they see and how often. In Chemung County there are 4,000 fee-for-service recipients, some of whom use the emergency room of the local hospital for their primary care. Equipped with the Salient findings, Santulli worked with the medical community and other local leaders and received a state waiver to open a medical home in his county for those 4,000 fee-for-service Medicaid recipients in March 2010. The facility is integrating electronic medical records with Medicaid claims data using Salient software to improve health and reduce costs for its patients.

"The extent of healthcare fraud often seems more like best guesses than estimates," says Dr. Paul Jesilow, Professor of Criminology, Law and Society at the University of California, Irvine, and co-author of Prescription for Profit: How Doctors Defraud Medicaid. "Healthcare fraud, like most white-collar crime, is hidden; a successful white-collar crime is never detected. Healthcare is rarely paid for out of pocket and the consumers of the healthcare services have little incentive to check their bills. The actual payer of the bills, private and public third-party payment programs, were not in the room when the services were provided and do not know

whether they were needed or actually supplied. But these estimates, although highly suspect, certainly do indicate that savings from reducing the cost of fraud could cover the current healthcare expenditures of the uninsured. President Obama caught my attention when he announced that the Healthcare Reform Act could be paid for by the monies that were currently lost to healthcare fraud.”

In the past, says Jesilow, computer programs developed to detect fraud were ineffective because they either did not know what to look for or took too long to find it. “It’s like the police showing up two weeks after the crime was committed – it just doesn’t work. The Salient solution is very impressive because it gives the investigators the opportunity to look at the data at their own speed sitting at their own desks without having to go to someone else to interpret the information. To wait a day or two or a week slows down the investigation and creates inertia. Salient really changes the way people interact with information because it gives them actionable information at their finger tips. You get the same sort of attraction to that capability as a computer game aficionado gets from reaching the next level and catching the crooks.”

About Salient

Salient Management Company offers business and government a visual data mining solution to improve management efficiency and decision-making. The Salient solution enables users to evaluate results, identify outliers and their root causes, and refine managerial decision-making continuously. Founded in 1986, Salient today serves more than 35,000 users in 53 countries. For more information contact Tim Davis, Director of Global Communications at 607-739-5228 ext. 228. Mobile: 203-564-3913. E-mail: tdavis@salient.com