

CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE HOUSE BILL 2571

Chapter 234, Laws of 2012

62nd Legislature
2012 Regular Session

MEDICAL SERVICES--WASTE, FRAUD, ABUSE

EFFECTIVE DATE: 07/01/12

Passed by the House February 13, 2012
Yeas 96 Nays 1

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate March 8, 2012
Yeas 49 Nays 0

BRAD OWEN

President of the Senate

Approved March 30, 2012, 1:08 p.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE HOUSE BILL 2571** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BARBARA BAKER

Chief Clerk

FILED

March 30, 2012

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE HOUSE BILL 2571

Passed Legislature - 2012 Regular Session

State of Washington 62nd Legislature 2012 Regular Session

By House Health & Human Services Appropriations & Oversight
(originally sponsored by Representatives Parker, Cody, Dammeier,
Darneille, Alexander, Schmick, Orcutt, Hurst, and Kelley)

READ FIRST TIME 02/06/12.

1 AN ACT Relating to waste, fraud, and abuse prevention, detection,
2 and recovery to improve program integrity for medical services
3 programs; adding a new chapter to Title 74 RCW; and providing an
4 effective date.

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 (1) Implement waste, fraud, and abuse detection, prevention, and
8 recovery solutions to improve program integrity for medical services
9 programs in the state and create efficiency and cost savings through a
10 shift from a retrospective "pay and chase" model to a prospective
11 prepayment model; and

12 (2) Invest in the most cost-effective technologies or strategies
13 that yield the highest return on investment.

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

16 (1) "Authority" means the Washington state health care authority.

17 (2) "Enrollee" means an individual who receives benefits through a
18 medical services program.

1 (3) "Medical services programs" means those medical programs
2 established under chapter 74.09 RCW, including medical assistance, the
3 limited casualty program, children's health program, medical care
4 services, and state children's health insurance program.

5 NEW SECTION. **Sec. 3.** (1) Not later than September 1, 2012, the
6 authority shall issue a request for information to seek input from
7 potential contractors on capabilities that the authority does not
8 currently possess, functions that the authority is not currently
9 performing, and the cost structures associated with implementing:

10 (a) Advanced predictive modeling and analytics technologies to
11 provide a comprehensive and accurate view across all providers,
12 enrollees, and geographic locations within the medical services
13 programs in order to:

14 (i) Identify and analyze those billing or utilization patterns that
15 represent a high risk of fraudulent activity;

16 (ii) Be integrated into the existing medical services programs
17 claims operations;

18 (iii) Undertake and automate such analysis before payment is made
19 to minimize disruptions to agency operations and speed claim
20 resolution;

21 (iv) Prioritize such identified transactions for additional review
22 before payment is made based on the likelihood of potential waste,
23 fraud, or abuse;

24 (v) Obtain outcome information from adjudicated claims to allow for
25 refinement and enhancement of the predictive analytics technologies
26 based on historical data and algorithms with the system;

27 (vi) Prevent the payment of claims for reimbursement that have been
28 identified as potentially wasteful, fraudulent, or abusive until the
29 claims have been automatically verified as valid;

30 (b) Provider and enrollee data verification and screening
31 technology solutions, which may use publicly available records, for the
32 purposes of automating reviews and identifying and preventing
33 inappropriate payments by:

34 (i) Identifying associations between providers, practitioners, and
35 beneficiaries which indicate rings of collusive fraudulent activity;
36 and

1 (ii) Discovering enrollee attributes which indicate improper
2 eligibility, including, but not limited to, death, out-of-state
3 residence, inappropriate asset ownership, or incarceration; and

4 (c) Fraud investigation services that combine retrospective claims
5 analysis and prospective waste, fraud, or abuse detection techniques.
6 These services must include analysis of historical claims data, medical
7 records, suspect provider databases, and high-risk identification
8 lists, as well as direct enrollee and provider interviews. Emphasis
9 must be placed on providing education to providers and allowing them
10 the opportunity to review and correct any problems identified prior to
11 adjudication.

12 (2) The authority is encouraged to use the results of the request
13 for information to create a formal request for proposals to carry out
14 the work identified in this section if the following conditions are
15 met:

16 (a) The authority expects to generate state savings by preventing
17 fraud, waste, and abuse;

18 (b) This work can be integrated into the authority's current
19 medical services claims operations without creating additional costs to
20 the state;

21 (c) The reviews or audits are not anticipated to delay or
22 improperly deny the payment of legitimate claims to providers.

23 NEW SECTION. **Sec. 4.** It is the intent of the legislature that the
24 savings achieved through this chapter shall more than cover the cost of
25 implementation and administration. Therefore, to the extent possible,
26 technology services used in carrying out this chapter must be secured
27 using the savings generated by the program, whereby the state's only
28 direct cost will be funded through the actual savings achieved.
29 Further, to enable this model, reimbursement to the contractor may be
30 contracted on the basis of a percentage of achieved savings model, a
31 per beneficiary per month model, a per transaction model, a case-rate
32 model, or any blended model of the aforementioned methodologies.
33 Reimbursement models with the contractor may include performance
34 guarantees of the contractor to ensure savings identified exceeds
35 program costs.

1 NEW SECTION. **Sec. 5.** Sections 1 through 4 of this act constitute
2 a new chapter in Title 74 RCW.

3 NEW SECTION. **Sec. 6.** If any provision of this act or its
4 application to any person or circumstance is held invalid, the
5 remainder of the act or the application of the provision to other
6 persons or circumstances is not affected.

7 NEW SECTION. **Sec. 7.** This act takes effect July 1, 2012.
 Passed by the House February 13, 2012.
 Passed by the Senate March 8, 2012.
 Approved by the Governor March 30, 2012.
 Filed in Office of Secretary of State March 30, 2012.