

## **National Conference of State Legislatures**

### **Containing Medicaid Costs:**

#### **State Strategies to Fight Medicaid Fraud and Abuse**

Webinar : Monday March 19, 2012

Across the nation, states are looking to contain the rising cost of Medicaid. State programs to control fraud and abuse—designed to prevent, identify, and prosecute improper payments and unlawful behavior that increase health care costs—offer an approach that everyone can support. Learn about new opportunities under the Affordable Care Act and hear what states are doing to prevent Medicaid fraud and abuse, recover improper payments, and address these issues in Medicaid managed care programs.

### Transcript of Jack Stick, Deputy Inspector General of Enforcement, Texas Office of the Inspector General

Good afternoon everyone, I'm Megan Comlasi from the National Conference of State Legislatures. And on behalf of NCSL, I would like to welcome all of you to today's webinar "Containing Medicaid Cost, State Strategies to Fight Medicaid Fraud and Abuse."

Today's webinar is the first in a two-part series on Medicaid. The next in the Medicaid series is on Medicaid Managed Care on April 20<sup>th</sup>.

We are very fortunate to have 3 experts joining us on today's webinar: Patricia McTaggart of the George Washington University will open, followed by Mark Hennessey from the State of NY and Jack Stick from Texas.

...

[Jack Stick introduction]

Jack Stick is currently Deputy Inspector General of Enforcement in the Texas Office of the Medicaid Inspector General.

In this position, he supervises the investigators, analysts, medical professionals and administrators who conduct the state's Medicaid waste, fraud and abuse investigations.

Mr. Stick is a graduate of the University of Michigan School of Law and a former special counsel to the Governor of Nebraska. He has a decade of experience as a prosecutor at both the state and federal levels and served as a member of the Texas House of Representatives. Prior to his current position, Mr. Stick was appointed a municipal judge in Travis County where he served for 2 years.

Please go ahead Mr. Stick.

[Jack Stick ]

Well, I appreciate that. It's almost as good as if I'd written it myself.

And, I want to, I think I want to start by telling you that I approached this job, drawing on my experience as a prosecutor. Before I took this job, I was a state and federal prosecutor. Really applied a lot of the experience that I had from those jobs to what we were doing here.

This office, the Office of Inspector General, was created in 2003 when I was in the Legislature and was part of a massive overall of the Texas Health and Human Services System.

We created an entity called the Health and Human and Services Commission which has about 55,000 employees and \$40, \$45 billion dollars in expenditures. A good chunk of that obviously is Medicaid.

In the legislation, the Inspector General himself is an appointee of the Governor. The agency, the Inspector General's Office is attached administratively to the Health and Human Services Commission. So we have got independence in our approach and the freedom to do what we need but we've still got the support the enterprise itself can provide.

The Office of Inspector General has about 650, 660 people in it, divided primarily into two divisions.

My division is the enforcement division where we conduct investigations and initiate the enforcement actions. We also have, let me back up. That division has about 330 to 340 people in it. We have an audit division which has about 200, 230 people in it and the rest is divided among our sanctions division which are the attorneys who actually litigate cases for us and then our operations division.

We have offices scattered across the state like NY or a fairly good sized state. We have more offices than I can remember and the reason we have approached it that way rather than a centralized approach is that we believe that it is important to do two things: one is to have a visible, physical presence as a deterrent, if nothing else. And then secondly, we think it is important to have a presence close to where the practitioners and providers are located. We think it is important that they have access to us and that we can have access to them quickly.

With that being said, about June of last year, we did a top-to-bottom review of the Office of Inspector

General and we determined that at least in this division, the enforcement division, we were a little bit lopsided. We have got our division divided into both provider investigations and recipient investigations. And the overwhelming majority of the staff and financial resources were dedicated to recipient investigations.

And of course that is just not really where the money is. So we make a conscious decision that we were going to reevaluate our priorities and that we were going to go where the money is.

We doubled our investigative man-power in the Medicaid Provider Integrity division and divided ourselves into regional teams. Where we have people who are physically out in the field- so teams of 7 to 9 people located in different cities with back-up support here in Austin provided by medical professionals - the doctor, nurses, and expert witnesses. That kind of thing.

And what we decided to do is have each of the regional teams have a field expert. So we have got various initiatives that we are doing at any one time.

We have orthodontic initiatives, hearing aid initiatives, durable medical equipment.

What we did was we took one person in each of those regional teams and made them an expert in that field so that they could teach the other ones and act as a resource to the other investigators who are in that field.

They also work closely with other experts in their areas. So a hearing aid expert in Dallas would work closely with the hearing aid experts in Houston and San Antonio and Corpus. And that allows us to rapidly respond to any problems that we see and deploy a team of people to any area of the state within a matter of a day or two if we need to to conduct an urgent investigation.

We have adopted an aggressive approach to credible allegations of fraud. We now will place a credible allegations of fraud hold on a payment. I'm sorry, I'm on a vendor at the intake phase.

Normally, we would wait until we really gotten into a case conducted a good chunk of a full scale investigation before making a fraud determination.

We stopped doing that. Moving that credible allegation of fraud determination earlier in the process has enabled us to staunch the flow of money to a bad provider and it increases the amount of our recoveries. It also gets us a lot closer to real-time fraud interdiction as opposed to the pay-and-chase method.

So what we did was we decided that we were going to be as efficient as we possibly could in conducting our investigations.

And to do that we decided we would initiate a series of really, directed missions in areas where we did determine that there might be a substantial likelihood of fraud.

So in Texas, we have had problems with orthodontists and dentists abusing the system. So we identified the top 50 utilizers. Identified about \$400 million dollars in overpayments. And conducted a series, actually, we are in the middle of conducting a series of investigations on those providers.

What we did is assign a team of investigators, as I indicated, to handle all of the cases in a particular

initiative. So, I have got the same investigators doing the same kinds of cases over and over again.

The first case generally is a learning process. It is slower, you work out the bugs and you know it takes a while. But by the third or fourth case for each investigator, it's routine. They've got the template down from the investigative report. They've got relationships established with the expert witnesses they need to use. And we are able to increase significantly, as you'll see in a second, our speed, our accuracy, and the effectiveness of our investigative teams.

So, our investigations, our completion rate increased by about 25 percent. That is a real conservative number because we are still about 9 months into the year. So we won't know until the end of the year exactly where it ends up. But my guess is we'll end up completing about 50% more cases this fiscal year than we did last fiscal year.

But if you look at the next bullet point there. If you measure our productivity by dollars, we increase our productivity by 1700% or we will have by the end of



this fiscal year. 1700% ,which is really just staggering.

And by doing that, or to do that, we really just made some basic procedural and process changes and how we took a look at cases.

One of the most significant things that we did was that we dropped our investigative time from 42 months when I got here, to about 8 weeks today. And I think that one thing alone has probably done more to increase our recoveries, more to increase our identified lost dollars than any other single thing that we are doing.

Durable medical equipment, I don't know how it is in other states, but in Texas, if you open a DME, it almost is a sort of a neon light saying investigate me for fraud.

We have 5,800 durable medical equipment providers here and our investigative approach here was just to say, look, let's take 300 investigators and do a state-wide sweep. And let's just see, you know, is there anybody here, is this an open field? Is it a pool or it is a legitimate ongoing business concern?

The ACA requires that we visit, as you know, most of our providers and so we are going to have to go out to the DME's anyway. So this is an initiative that will begin here in a couple of weeks. Initially it appears that we will probably we will be able to take out about 2,000 providers by doing that.

Each one of those, you know, is billing the state. Some to a greater degree than others. Some very little but it is still all illegitimate billing.

In March 1<sup>st</sup> of this year, the State of Texas switched to a managed care organization approach to providing Medicaid services. That was really the genesis of our top-to-bottom review of the Inspector General's Office.

About 80% of the state dollars will be going through managed care. And many people said, well, if you've got managed care, what does OIG really need to do. I mean it's their money, let them investigate it. And that was not our approach obviously.

We believe that we still have the same obligations to manage the state's money carefully. But in addition to

that, we still have to look at the managed care entities themselves for primarily for under-utilization.

What we did was rather than developing an antagonistic relationship with the MCO's, we have tried to do everything that we can to be cooperative with them. We view their special investigative unit, really as offshoots of our unit here in the Inspector General's Office. They give us leads, they can do a lot of the investigations. In fact the law provides them authority to investigate cases below \$100,000 unless we intervene and take them over.

Doing the cooperative approach has really allowed us to branch out and find different ways to expedite investigations in the exchange of information. Even things like establishing an FTP site so they can upload their data to us quickly, has provided opportunities for us to cooperate with them.

The other thing we are doing is, we are providing regular alerts to our MCO's. "Physician bad" in one plan is bad in all the plans. It's not like they figure out how to cheat one and decide it is not a good idea to cheat all the others. And so we provide them with

that kind of update and reporting. And we find that that actually has been a real successful approach.

What I really wanted to talk with you about today, in addition to these procedural changes, is something we are on the verge of implementing in Texas. We are very close to making some final decisions on how we want to proceed in this. But that's graph-pattern analysis which is sort of the next line beyond predictive analytics and data mining.

Now we find that we have got a tremendous amount of data, tremendous amount of providers, tremendous amount of transactions going on and it's just too difficult to really see patterns that exist in that kind of data, that amount of transactions.

There is technology available that allows you to crawl thorough just mind-boggling amounts of data, to identify suspicious activity. Actually to identify whatever you want to identify. But of course in this case, to identify suspicious behavior.

There is really no limit to the number of data sources or amount of data that you can use. In fact, it works better with more data. And so I created an example

here of Electronic Benefits Trafficking. But of course, the implications on Medicaid provider integrity is manifold as well.

Basically, what it does, it says, we know that there are relationships that exist between events. When you've got somebody who is selling an EBT card to a particular retailer that's probably not the only time that transaction has happened. So what we do is we use graph-pattern analysis to find relationships between providers and transactions, between transactions and individuals, between addresses, dates, times; everything that you would want in order to conduct an investigation can be handled through graph-pattern analysis.

The reason is it called graph-pattern analysis is because it creates charts for you to use. So it allows you to see, to visualize on a computer in front of you exactly what is going on in a particular transaction. So you can see where something starts, where it goes, the relationship between people involved... So you can see rapidly, or an investigator sitting at a desktop, and this is a desktop application, can come into work on Monday morning, sit down with a cup of coffee, and pull up data and begin to play with them.

What is the relationship between the owner on the far left and we'll say this guy and this market here? How do they interact with each other? And as you begin to play with the data and as you begin to explore the relationships, you can see that different places are connected to each other and then you can see how they are connected to each other. And that tells you exactly where you need to begin focusing your resources.

This program is probably worth about two investigators. So it really doubles the power of your investigators. And you can see how it graphically describes what you are looking for. So when you begin to see these chrysanthemum patterns here, you see that there is a pattern that exists, and you know where to focus your investigative efforts.

Graph-pattern analysis is really the next line of defense for this office, for the Inspector Generals Office, and it is really the one thing that will be able to give us near real-time ability to interdict waste, fraud, and abuse, particularly as we begin to enter relationships with other states to share data.

The only other thing that I wanted to do was to show that slide. I was a Michigan grad and I figure any opportunity to put a wolverine up was a good one. So I want to say thank you and I'm glad to answer any questions that you all have.

Thank you very much Jack.

o0o