

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009**

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HOUSE BILL 190

Short Title: Medicaid Improper Claims Software/Funds. (Public)

Sponsors: Representatives Stam, Blust, Dollar (Primary Sponsors); Blackwood, Dockham, Hurley, Justice, Moore, Neumann, Starnes, and Wiley.

Referred to: State Government/State Personnel, if favorable, Appropriations.

February 18, 2009

A BILL TO BE ENTITLED

1 AN ACT TO APPROPRIATE FUNDS TO THE DEPARTMENT OF HEALTH AND
2 HUMAN SERVICES FOR THE PURCHASE OF ENHANCED SOFTWARE AND
3 SERVICES TO IDENTIFY AND REJECT IMPROPER MEDICAID CLAIMS BEFORE
4 THE CLAIMS HAVE BEEN PAID.
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6 Whereas, North Carolina's Medical Assistance Program (Medicaid) has an annual
7 budget that includes three billion dollars (\$3,000,000,000) annually in State funding; and

8 Whereas, the North Carolina Department of Health and Human Services, Division
9 of Medical Assistance, has a Program Integrity Section whose primary responsibility is to
10 ensure the efficacy of payments made to providers on behalf of eligible participants through
11 eligibility verification, third-party liability, and monitoring for fraud, waste, and abuse by both
12 providers and beneficiaries; and

13 Whereas, although the current Medicaid claims processing system includes a
14 number of edits and audits that check for common errors and anomalies, modern technological
15 advancements allow for much more robust data analysis than is currently incorporated into the
16 current system; and

17 Whereas, the capability for the system to go beyond basic edits and audits will allow
18 detection of activities that were previously very difficult to identify and thereby result in
19 significant savings over what are achieved under the current system; and

20 Whereas, savings will be achieved when improper claims can be identified before
21 they are paid, thereby avoiding the cost of recovering the payment; Now, therefore,
22 The General Assembly of North Carolina enacts:

23 **SECTION 1.** The Department of Health and Human Services, Division of Medical
24 Assistance, shall develop and implement a process to purchase technologically advanced
25 software and services to improve the identification and rejection of improper Medicaid
26 payments before payment is made to the provider. If funds are needed to develop and
27 implement the process, the Department may use funds available for the 2008-2009 fiscal year
28 for this purpose.

29 **SECTION 2.** There is appropriated from the General Fund to the Department of
30 Health and Human Services, Division of Medical Assistance, the sum of five million dollars
31 (\$5,000,000) for the 2009-2010 fiscal year, and the sum of five million dollars (\$5,000,000) for
32 the 2010-2011 fiscal year. These funds shall be used to purchase software and services that
33 will implement a more comprehensive, robust, and technologically advanced improper
34 payments identification program that will reject improper claims before they are paid. In
35 identifying the software and services, the Department shall ensure that funds appropriated for
36 this purpose shall include all of the following:



- 1 (1) Identification and rejection of improper claims before the claims are paid.
- 2 (2) Initial data analysis and implementation.
- 3 (3) Fully operational MMIS integration based on the December 2008 contract.
- 4 (4) Automated integration of analysis results of claims experience for edits and
- 5 audits during initial claims screening.
- 6 (5) Hardware and infrastructure necessary to implement the software.
- 7 (6) Software licensing.
- 8 (7) Additional data analyst and investigate resources.
- 9 (8) Professional services and consulting.
- 10 (9) Staff training.

11 **SECTION 3.** Not later than October 1, 2009, the Department of Health and Human
12 Services shall report to the House of Representatives Appropriations Subcommittee on Health
13 and Human Services, the Senate Appropriations Committee on Health and Human Services,
14 and the Fiscal Research Division on its progress in identifying software, the implementation
15 date, and other relevant information pertaining to the sufficiency of the appropriation and the
16 anticipated savings from implementation of the software program.

17 **SECTION 4.** Sections 2 and 3 of this act become effective July 1, 2009. The
18 remainder of this act is effective when it becomes law.