

## Case Study

### Florida Medicaid Finds Source for Success

While government outsourcing sometimes earns a bad reputation, the experience of Florida's Medicaid agency is changing all that.

In 2001, the Florida Agency for Health Care Administration privatized its Medicaid third-party liability and overpayment recovery function to Health Management Systems, a subsidiary of HMS Holdings Corp. Today, the privatization is a proven success. In 2005, HMS recovered \$143 million on behalf of AHCA — nearly five times the amount recovered in 2001, before privatization. The new insurance information HMS has obtained is allowing AHCA to avoid more than \$1 billion in costs annually. At the same time, AHCA's budget for TPL services has been reduced by 80%.

The road to success hasn't always been smooth, however. Privatizing the cost containment function required a lengthy



*Close communication, clear expectations, and a sense of teamwork have been keys to the success of Florida Medicaid's TPL privatization.*

and difficult procurement process. HMS staff had to undergo extensive training to use AHCA's internal data processing system. And scores of quality standards were necessary to

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## Welcome to **PRISM**

You only need pick up a newspaper to realize that the fiscal stewardship of Medicaid, Medicare, and other government healthcare programs has become a national challenge. That's why Health Management Systems, the leader in cost containment for government healthcare, is sending you this premier issue of **PRISM**. More than ever, healthcare policy decisions require information and insight.

Like a prism, successful cost containment comprises an entire "spectrum" of strategies. They range from identifying other sources of insurance and avoiding future expenditures, to recovering past expenditures from liable third parties ... from mining millions of insurance records for eligibility data, to the complex legal process of

recovering Medicaid costs from workers' compensation. HMS believes that by recognizing diverse opportunities such as these — and how they complement each other — government agencies and health plans can control their benefit expenditures more effectively.

The mission of this newsletter is to provide real-world information, drawn from our experience and that of others, which will help you see these opportunities. I hope you'll enjoy **PRISM**.

Bill Lucia  
President & Chief Operating Officer  
HMS Holdings Corp. (NASDAQ: HMSY)

## New Law Empowers Medicaid



Even as it cuts Medicaid spending, the federal government has taken aggressive action to ensure state programs and health plans can recover their fair share of Medicaid costs from other liable parties.

The Deficit Reduction Act, which President Bush signed Feb. 8, calls for many changes in Medicaid payment. But the Act also broadens the definition of a "liable third party." Under provisions that amend Social Security law, third parties now explicitly include not only health insurers, but also health maintenance organizations, pharmacy benefit managers, self-insured plans, and other entities that are responsible for payment of healthcare claims.

In addition, states are required to pass laws mandating all liable entities to:

- Perform eligibility data matching
- Accept Medicaid subrogation
- Not deny Medicaid claims submitted within three years of service date, or pursued within six years of submission date.

The provisions formally took effect on Jan. 1, but states have been given a grace period of 90 days after the conclusion of their legislative sessions before complying.

According to Health Management Systems Senior Vice President Donna Price, the provisions represent Congress's attempt to rethink the future of Medicaid. Drawing on advice from industry experts, the Senate Finance Committee looked for ways to help states control program expenditures more effectively.

Today, the provisions are being welcomed by states, Medicaid health plans, and vendors.

"The third-party recovery provisions of the Act address challenges that long have handicapped state programs and their health plans in providing fiscally responsible benefits," said Ms. Price. "It's important that the financial burden of healthcare is shared equitably among all the appropriate payors."

**For more information about the Act and its implications for Medicaid, please contact Ms. Price at (845) 657-2274 or [dprice@hmsy.com](mailto:dprice@hmsy.com).**

## For Your Calendar

- National Council For Prescription Drug Programs**  
Annual Conference  
March 18-22, 2006, Phoenix, AZ
- World Congress**  
Leadership Summit on Medicare  
May 8-9, 2006, Washington, DC
- National Medicaid Congress**  
Navigating the New Medicaid  
June 4-6, 2006, Washington, DC

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## Florida Medicaid

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guide the day-to-day work HMS performs.

The creation of the standards is one of the ways AHCA and HMS are ensuring that expectations are clear and that both partners are held accountable. By investing the time to communicate and document even the smallest details, AHCA and HMS have been able to

overcome the challenges of privatization. The close-knit communication continues today. Working from a dedicated office just a few miles away, HMS employees keep in touch with Agency staff on a daily basis.

The teamwork also is fostering creativity. Together, HMS and AHCA are exploring and implementing innovative new types of cost containment, such as recovering excess payments made on behalf of deceased Medicaid recipients, as well as incarcerated recipients who receive healthcare through the prison system.

This continued success has led AHCA to renew its contract with HMS.

As AHCA Secretary Alan Levine said, "Florida Medicaid is pursuing every opportunity to contain costs and thus help ensure the well-being of Floridians. By bringing specialized resources and expertise, Health Management Systems has been a valuable partner in our efforts to avoid inappropriate expenditures and increase payment accuracy. We are pleased that this partnership will continue over the coming years."

## Medicaid Plans Examine Best Practices in COB

At a recent conference of the Medicaid Health Plans of America, leaders of government-contracted plans exchanged innovative ideas for containing benefit expenditures and improving service quality. Among other highlights, the MHPA's "Best Practice Forum" featured an educational session on benefit coordination led by experts from Health Management Systems.

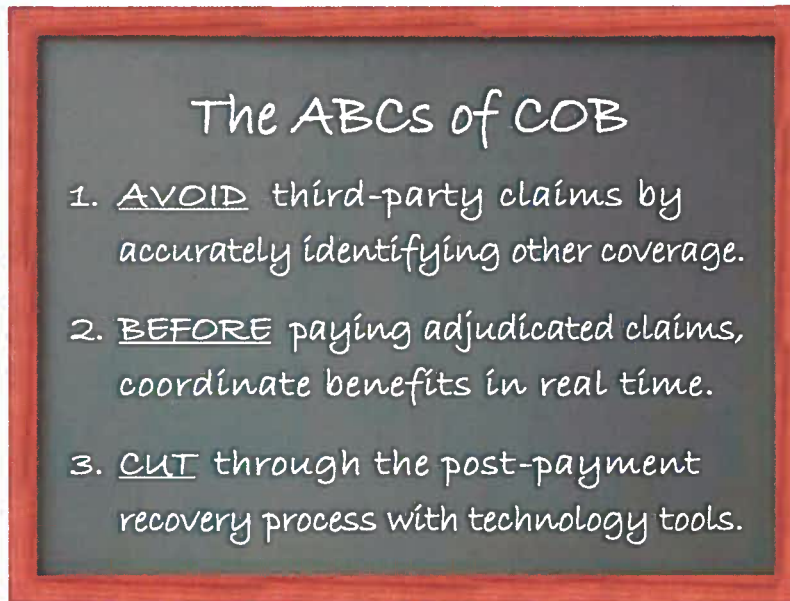
Medicaid health plans can tap hidden revenue potential by employing a spectrum of strategies to coordinate benefits more effectively, said HMS Vice President Thomas Baggett and Senior Director of Business Development Carrie Cunningham. One of the most effective strategies is to maximize the identification of members' other insurance coverage. To avoid paying claims for which other payors are liable, health plans need to dedicate technology and other resources to identifying and verifying the existence of other coverage.

Mr. Baggett and Ms. Cunningham presented a case study of a Medicaid plan that outsourced much of its COB operations to HMS in 2004. The plan, which provides benefits to 115,000 Medicaid members, initially turned to HMS to enhance retroactive recovery of expenditures.

But the plan soon discovered that HMS's verification service allowed it to save even more in avoided costs.

Key results of the case study included:

- In 2005, HMS verified a total of 5,100 previously unknown insurance policies for the plan, covering 6,400 plan members.
- Data from the insurance verifications allowed the plan to reap savings in 2005 of \$2.7 million.
- Over the same period, HMS also recovered past expenditures for the plan totaling roughly \$1 million.



The Medicaid plan has contracted with HMS to expand its verification work, according to Mr. Baggett and Ms. Cunningham. In doing so, HMS will employ its vast repository of eligibility data, as well as proprietary verification techniques and a dedicated team of Verification Specialists.

With the recent passage of the federal Deficit Reduction Act — which expands Medicaid's power to obtain eligibility information from other sources — health plans may be able to take advantage of new opportunities to increase cost avoidance, the HMS speakers pointed out. (See *PRISM*, March-April 2006.) The challenge for Medicaid and its contracted health plans, the speakers said, will be to ensure they have the capabilities to make the most of the newfound data.



## Case Study

# Virginia's Innovative Overpayment Solution



The Virginia Department of Medical Assistance Services has long sought innovations to manage the cost of caring for Medicaid members who also receive

Medicare benefits. Now, with the help of Health Management Systems, Virginia has changed the way it processes "crossover" claims that are paid jointly by the two programs. As a result, DMAS has recovered \$77 million in Medicaid overpayments – and is reaping further savings each day.

### **Background**

Under the Balanced Budget Act of 1997, Medicaid agencies are entitled to limit their expenditures for the care of dual-eligible members. Rather than paying the Medicare coinsurance and deductible amounts for these members' care, the agency can pay an amount that may be less: what Medicaid would have paid if a member did *not* have Medicare or other coverage, minus what Medicare or other insurers have, in fact, already paid. With a minor change to its Medicaid State Plan, the agency then can recover amounts that have been overpaid under the new formula during the past three months, while reaping savings in the future.

In 2002, Virginia was poised to take advantage of the cost savings. The Commonwealth's Medicaid payment levels made the approach fiscally attractive, and the State Plan had been revised several years earlier. But since

then, attempts to implement the methodology had stalled. And the problem was growing worse, as claims were paid under the old formula – creating potential overpayments.

### **Solution**

HMS recognized the opportunity, and worked with DMAS to tackle the challenge of "reprocessing" millions of past Medicaid claims. Rather than burdening the Virginia Medicaid management information system, HMS developed a unique solution: a stand-alone, offline data module that would mirror functions of the MMIS, and calculate the correct Medicaid payments for crossover claims. The new methodology could then be imported into the MMIS, to calculate future payments correctly.

The innovative solution required months of extensive testing to ensure that payments were recalculated accurately. And representatives of DMAS and HMS worked closely with the Virginia Hospital and Healthcare Association to introduce the new methodology to providers. HMS gave association representatives listings of their hospital members' reprocessed claims, in a fixed file layout that could be read into any hospital information system. Since many crossover claims recouped by DMAS would be eligible for reimbursement under Medicare bad debt provisions, HMS also ensured that each file contained the data providers would need to pursue these claims.

### **Results**

Over the past several years, DMAS has obtained payment from nearly every one of the 90 facilities that received reprocessed claims. Today, the payments total roughly \$77 million – a recovery rate of 99.6 percent – and it is clear that this effort has paid handsome rewards. Just as importantly, the burden on Virginia's healthcare facilities has been minimized.

## *For Your Calendar*

- America's Health Insurance Plans Annual Institute 2006**  
June 7-9, 2006  
San Diego, CA
- Institute for International Research Medicaid Managed Care Congress**  
June 19-21, 2006  
Baltimore, MD
- National Assoc. of State Human Services Finance Officers**  
59th Annual Conference  
July 30–August 4, 2006  
Nashville, TN
- National Assoc. of SURS Officials**  
22nd Annual Conference  
August 20-23, 2006  
Lexington, KY
- National Third Party Liability / COB Conference**  
September 10-13, 2006  
Orlando, FL
- National MMIS Conference**  
September 24-28, 2006  
Providence, RI

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**PRISM** is produced by Health Management Systems, Inc., and welcomes your article suggestions and comments. To send feedback, contact:

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