

From: [Sunset Advisory Commission](#)
To: [Cecelia Hartley](#)
Subject: FW: Form submission from: Public Input Form for Agencies Under Review (Public/After Publication)
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-----Original Message-----

From: sundrupal@capitol.local [<mailto:sundrupal@capitol.local>]
Sent: Tuesday, October 28, 2014 10:57 AM
To: Sunset Advisory Commission
Subject: Form submission from: Public Input Form for Agencies Under Review (Public/After Publication)

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Agency: HEALTH AND HUMAN SERVICES COMMISSION HHSC

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Your Comments About the Staff Report, Including Recommendations Supported or Opposed: The report states that HHSC has not taken steps to implement fraud prevention methods or tools, but makes no recommendations about such tools to use. Below, we have provided an introduction to Castlestone's tools which have recently been adopted by the New York Medicaid plan.

Any Alternative or New Recommendations on This Agency:
To the Committee:

The recent audit report about the Texas Health and Human Services Commission pointed out opportunities to improve care delivery and cost effectiveness.

Many of the recommendations focus on organizational issues that take months or years to implement. And, although the Report stated that the HHSC should focus more on fraud prevention, there was no recommendation on how to achieve that. We would like to inform the Committee and Health and Human Services Committee about tools to prevent many frauds long before disbursement and the onset of the "pay and chase" cycle. The New York Medicaid program has awarded Castlestone Advisors the opportunity to do the same for their plan.

The Audit report states that the hiring of staff at the Inspector General's Office and implementing a \$40 Million computer system have not put a sufficient crimp in the fraud statistics. In fact, these system are all post payment tools that perpetuate the pay and chase model, where recoveries are problematic and most frauds fall below the costs of investigation and prosecution.

Our approach uses the real-time credit card networks, which can provide real-time information to HHSC and OIG from nearly all 125,000 provider locations in Texas today, with virtually no hardware or software costs, and verify nearly all outpatient claims long before payment is due. Otherwise, HHSC has no way to know whether patients

were ever at the doctor's office, the source of much fraud.

The economics are compelling as well. According to the Kaiser Foundation and the GAO, outpatient-only fraud in Medicaid is an estimated \$300 per beneficiary per year. Verifying every outpatient transaction is about \$1.10 per beneficiary per year.

States are also grappling with management of Managed Medicaid, which places a barrier between encounters and oversight. HHSC, OIG and other authorities can get the same real time information on encounters and use that to validate MCO charges, enrollment and networks. Again, long before payment. Reports from other State Auditors have demonstrated that MCOs have fallen short in their anti fraud responsibilities.

Another hurdle of "pay and chase" is that recoveries are problematic, and the costs of investigation, prosecution, and recovery efforts (more on that below) may outweigh the value of the fraud. This leads to cherry-picking of cases where the fraud is large and the case is not complex. In other words, the easy ones. There is an inherent message that perpetrators can steal, but only if they attempt to loot the store will action be taken against them.

Another example of pay and chase that can be significantly curtailed is the amount of inappropriate payments made and the Commission paid to recover Third Party Liability. Again, the payer of record data can be available to the provider in real time at the point of care, so they send their claims to the appropriate payer. On average, Texas has paid \$4 Million per year to recover its own funds paid to other insurance companies. This cost too, can be taken out of the system.

Congress is also taking a look. Last year, the House Energy and Commerce Committee held hearings about the subject. Congressman John Shimkus (R-IL) held one of Castlestone's cards to demonstrate that a solution for Medicare, Medicaid and private insurance, providing real time information, is available in the market. <http://energycommerce.house.gov/hearing/fostering-innovation-fight-waste-fraud-and-abuse-health-care> time mark 1:01:28. The pilot he mentions is ours as well, which we implemented in 65 days. Texas Congressman Burgess, at the 12 minute mark, also refers to how the credit card infrastructure can prevent many frauds. They are discussing our technology.

US Senate Bill 2586, sponsored by Illinois Senator Kirk, proposes using chip cards to prevent Medicare fraud. We recently met with Senator Kirk's staff to show how we have already implemented this requirement and how the credit card industry is moving to a chip card by 2015.

I hope the Members of the Committee will give our ideas and successes a deserved reception. I would be pleased to speak with any Member, and address the Committee in Austin as well.

Respectfully

Jeff Leston
President

My Comment Will Be Made Public: I agree