

Health Plan Performance Series

Identifying the Value of Medicaid Managed Care

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Topic No. 5

Neighborhood Health Plan of Rhode Island Initiatives Help Reduce State Medicaid Program Expenses

Identifying Duplicate Insurance Coverage and Correcting Provider Billing Errors Saves Nearly \$7 Million Annually

Health plans, including those established to serve the Medicaid population, can reduce their expenditures for medical services through a number of administrative efforts. Two particularly effective approaches are to identify members who are also covered by other plans and programs that are responsible for paying some or all of the member's health care costs (COB), and to detect and respond to instances of erroneous billing, including bills with unintentional errors as well as those potentially representing fraud and abuse (errors).

For the three year period 2007 - 2009, Neighborhood has avoided more than \$20.1 million in medical expenses in these two areas (\$9,949,510 COB; \$10,159,393 errors). These results translate into substantial savings for the state's Medicaid program as a result of decreased medical expense.

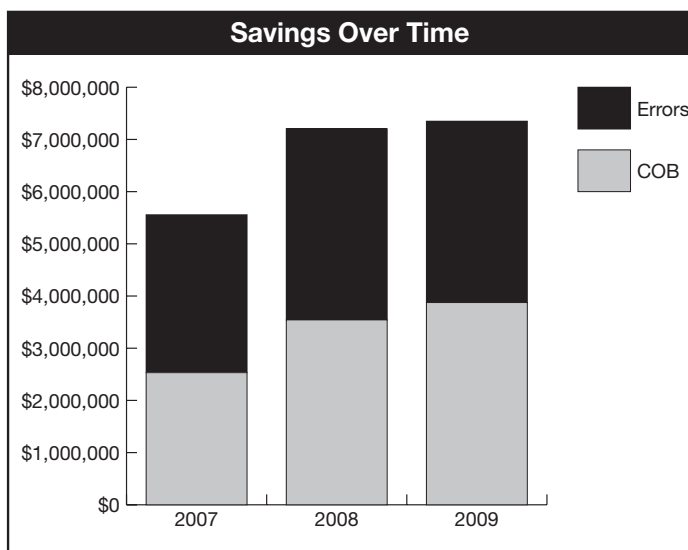
Coordination of Benefits

Recognizing that people often change health insurance coverage status, Neighborhood contracts with a Medicaid integrity audit contractor to process our membership files on a regular basis, both performing the match against available enrollment files and verifying the matches directly with the health plans involved. This monthly process typically identifies approximately 2,200 of our members who either are currently members of other health plans or have been members of other plans, and therefore are subject to coordination of benefits between the two plans.

Since Medicaid is the payer of last resort relative to other payers, the process results in significant reductions in the medical expenses we pay for our members who have dual coverage, or allows the state to disenroll members from Neighborhood.

From October 2007 – September 2008, the coordination of benefits process netted a total of \$2.9 million dollars through payments avoided or reclaimed from providers. From October 2008 – September 2009, with an improved process, the amount netted improved to \$4.4 million.

Excluding any costs of Neighborhood's staff to implement and support the program, the return on investment for this initiative is more than \$17 returned for every dollar spent.



Erroneous Billing

For many years, Neighborhood has used both automated and manual methods of screening incoming claims from providers for erroneous and potentially fraudulent billing practices. We look at both the supporting information on individual claims and patterns in the billing practices of institutional and individual providers.

Some examples of erroneous billing practices include:

- “Unbundling,” or billing separately for services that were delivered in the same encounter and thus generating greater reimbursement than warranted,
- Using billing code modifiers that increase reimbursement, but are not justified for the particular service being billed for, and
- Billing repeatedly for the same service, which may lead to multiple payments, but also increases the plan’s administrative costs to identify and correct.

When we detect such practices, Neighborhood notifies providers and educates them on corrective approaches. If providers fail to make corrections after three monthly notifications, state statute requires they be referred to the fraud and abuse program at the state Attorney General’s office. In nearly every case, providers make adjustments after Neighborhood’s initial notification.

We have operated two screening systems in parallel, with an average savings of more than \$275,000 per month. The return on investment for these two screening systems averages more than \$39 for every dollar spent.

These programs are two instances where Neighborhood has demonstrated its ability to achieve substantial cost savings to both the plan and the state through administrative initiatives that do not deny services to members or appropriate reimbursement to providers. In the context of Neighborhood’s historically low administrative costs, they are further demonstrations of the plan’s commitment to cost-effective management of the state’s Medicaid dollars for the benefit of our members and the people of Rhode Island.