

# DC Department of Health Care Finance

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March 16, 2011

## DHCF Develops Aggressive 3-Year Plan to Address Longstanding Medicaid Reimbursement Problem

Today, Mayor Gray announced that his Department of Health Care Finance (DHCF) had developed an aggressive plan with Public Consulting Group to fix the District's longstanding Medicaid reimbursement problems.

The problems are the result of millions of dollars in disallowed Medicaid claims submitted by public provider agencies. The problem has cost the District over \$60 million in claims disallowed by the US Department of Health and Human Services Center for Medicaid and Medicare Services (CMS).

CMS has validated the disallowance through an audit. According to CMS, the \$60 million disallowance could have been much higher, but some allowances were made to soften the blow. The disallowed claims happened over a period of four years, from FY 2003 to FY 2006 and the reimbursement practices were allowed to continue until 2009.

"The District must stop this runaway train and fix this systematic problem once and for all," said Mayor Gray, who directed DHCF Director Wayne Turnage to develop a plan to address the problem as one of his first acts as the agency's director. "We can ill afford to keep losing money because we have not addressed the root causes of the problem -- poor documentation and billing for services that are not allowable under the Medicaid Program."

Not only does the plan provide for a fix to the disallowances, but also includes generating additional Medicaid dollars by expanding the number of agencies that participate in the Medicaid program.

### Two Major Reasons for the Problem

There were two major reasons for the disallowances: poor documentation to substantiate a valid claim and billing for services that were not allowable for reimbursement.

As a result of these problems, the agencies have ceased to seek reimbursement for eligible services, creating a third problem. The District is now losing millions of dollars in claims that were not submitted for fear of further disallowances.

Compounding the problem is the fact that there are District agencies that have never participated in the Medicaid program and are probably unaware that some of the services they provide do qualify for federal reimbursement.

### Fixing the Problem

To solve the problem, the DHCF procured the services of Public Consulting Group (PCG), which is an Administrative Service Organization (ASO). ASOs are commonly referred to as "Hybrid Outsourcing" because they allow organizations to outsource difficult, time-intensive processes. Through this ASO, DHCF is providing Medicaid billing and quality assurance expertise to public providers who have varying levels of familiarity with Medicaid.

The vision of the ASO is to institutionalize a continuous performance improvement process whereby claims submitted for reimbursement are prospectively reviewed to ensure that they are compliant with applicable regulations and supported by readily available clinical documentation.

To attain this vision, the ASO will work with all involved agencies to improve performance over time. ASO staff will conduct outreach to agencies, develop a process improvement plan, prescribe a set of policies and procedures to govern data collection, and provide staff training. These activities will be supplemented with a gradually increasing level of auditing and monitoring over time and these efforts will be supported by strong data collection, analysis and results reporting to measure performance.

### Medicaid Billing Task Force Formed To Improve Budget Impact for the District

In March 2011, DHCF organized a Medicaid Billing Task Force to work with the ASO and all the partner agencies to improve billing. The first meeting was held on March 8th and the Task Force shall meet monthly for the duration of this project. Beginning May 2011 and throughout FY 2012 there will be major improvements in billing and documentation over previous years. Even greater news is that DHCF anticipates a significant positive budget impact in FY 2013, as the ASO will be well established and new public provider agencies should be billing for Medicaid reimbursable services.

In 2005 Mayor Gray, who was then the Ward 7 Councilmember, introduced legislation that established DHCF as an agency separate from the Department of Health. Mayor Gray recognized the importance of elevating the health care function to the department level if the District was indeed serious about addressing health care services for the most vulnerable residents of the city.

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