South Carolina Department of Health and Human Services

Managing the Medicaid program to provide
the best healthcare value for South Carolinians.

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New Computer System to Tackle Medicaid Fraud

The SC Department of Health and Human Services is launching a high-tech computer system to help root out fraud and abuse in the state's Medicaid program. The system, provided by Michigan-based Thomson Medstat, has the potential to save taxpayers millions of dollars a year in improper Medicaid claims.

The data mining system works by culling through claims submitted to Medicaid and identifying irregularities in billing patterns. The Medstat program, called the "decision support system," also will help DHHS save money by identifying Medicaid policies and payment rates that deviate from industry standards-- for example, claims billed separately that should have been performed as part of a larger service and included in the payment.

Last year alone, DHHS and the state's Attorney General's Office recouped more than $17 million in bogus Medicaid claims. With 30,000 providers in South Carolina submitting 46 millions claims a year, DHHS now relies heavily on complaints to identify fraud and abuse. The Medstat system will allow the agency to quickly run computer algorithms designed to expose billing practices that now fly under the radar, said Kathleen Snider, head of DHH's Bureau of Compliance and Performance Review.

"There's only so much fraud and abuse you can detect using the old-fashioned methods," Snider said. "The Medstat system will put us on the cutting edge. It will shine a light on questionable practices and ultimately help rein in wasteful spending."

Preliminary tests on the Medstat system in South Carolina have already uncovered potential fraud. Among the findings:

• Ambulances to Nowhere: system identified cases in which payment was sought for emergency transport of patients when there was no supporting medical claim to justify the trip. Reviewing claims data spanning four years, this study found claims totaling $167,517 for emergency ambulance trips that had no corresponding medical claim. Ten providers accounted for about 65 percent of the suspicious claims.

• Suspicious Provider Productivity: system identified providers, including a speech therapist, who claimed to have cared for more than 50 patients per day. Several

psychiatrists included in the test would have to have spent more than 24 hours a day with patients in order to match up with billing records. The amount of potentially inappropriate payments for five psychiatrists alone exceeds $670,000 over a one-year period.

• Doctor Shopping: system identified individuals who are potentially abusing class II controlled substances, such as OxyContin and Vicodin. Tests were run on drug claims that did not have a corresponding physician visit within 60 days of filling the prescription. In some cases, the results indicate doctor and pharmacy "shopping," where abusers obtain prescriptions either for their own habitual use or for illegal sale.

The cases highlighted above will result in further DHHS investigations that may lead to referrals to the state's Attorney General Office, which prosecutes fraud cases.

"Medicaid fraud is a serious matter," said DHHS Director Robert M. Kerr. "Our investment in the Medstat system will help us maintain program integrity, operate more efficiently and protect the taxpayers."

In addition to Medstat, DHHS is planning an outreach campaign to inform health care providers, including physicians and hospital staff, about Medicaid fraud and encourage them to report abuse of the program.

Medstat's capabilities are not limited to uncovering fraud and abuse. The system will help DHHS officials implement best practices and make cost-effective policy decisions. DHHS signed a five-year, $9.6 million contract with Thomson Medstat to support the system. The agency qualified for an enhanced federal match to help finance the purchase. Thomson Corporation is a health care technology company that provides services to Medicaid programs in 17 states. It began operations in 1981 and is headquartered in Ann Arbor, Michigan.

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