Short Title:	Medicaid Fraud Detection Pilot Funds.	(Public)
Sponsors:	Representative Blust.	
Referred to:		

1   A BILL TO BE ENTITLED
2 AN ACT TO DIRECT THE DEPARTMENT OF HEALTH AND HUMAN
3   SERVICES TO TEST AVAILABLE SOFTWARE TO IMPROVE MEDICAID
4   FRAUD DETECTION AND TO APPROPRIATE FUNDS TO THE
5   DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR THIS PURPOSE.
6 The General Assembly of North Carolina enacts:
7   **SECTION 1.(a)**   The Department of Health and Human Services shall
8 identify software available to improve the Department's detection of Medicaid fraud and
9 shall contract with a software consultant to test, on a pilot basis, the software's
10 effectiveness in detecting Medicaid provider fraud. The Department shall consider SAS,
11 Inc., and other suitable information technology providers as a source for the software
12 and consulting services to conduct the pilot. The pilot test shall focus on professional
13 services claims under the Medicaid program and shall produce analytic reports that
14 highlight episodes of care and enable the Department to perform more detailed and
15 in-depth data mining and analysis than is currently being conducted. In order to promote
16 maximum effectiveness of the software being tested, the Department shall establish a
17 robust data mining system to review dynamic episodes of care and shall provide the
18 software consultant with access to between one and three years of paid claims' data and
19 to both an eligibility file and a recipient history file. A contract or agreement between
20 the Department and the software consultant shall provide for protecting the
21 confidentiality of all confidential data to which the software consultant may have
22 access.
23   **SECTION 1.(b)**   The Department of Health and Human Services, Division
24 of Medical Assistance, shall implement the pilot test of fraud detection software not
25 later than October 1, 2003, and shall report on the status and results of the pilot to the
26 Senate Appropriations Committee on Health and Human Services, the House of
27 Representatives Appropriations Subcommittee on Health and Human Services, and the

1   Fiscal Research Division on or before December 1, 2003, and again on April 1, 2004.
2   The Department shall make recommendations to the General Assembly upon its
3   convening on the effectiveness of the software pilot tested, anticipated savings to be
4   realized from the purchase of the software for systemwide use, and the amount of funds
5   needed to purchase the software.
6   **SECTION 2.**   There is appropriated from the General Fund to the
7   Department of Health and Human Services the sum of five hundred twenty-five
8   thousand dollars ($525,000) for the 2003-2004 fiscal year to implement this act. Of
9   these funds, the Department may use up to seventy-five thousand dollars ($75,000) for
10 the pilot test of the software and consulting services. If, upon completion of the pilot
11 test, the Secretary finds that the software used in the pilot is successful in identifying
12 Medicaid fraud and that application of the software to the full Medical Assistance
13 Program will result in substantial savings to the Program and the State, the Department
14 shall use up to four hundred fifty thousand dollars ($450,000) of the funds appropriated
15 in this section to purchase the software and contract for consulting services to apply the
16 software technology to the full Medical Assistance Program.
17   **SECTION 3.** This act becomes effective July 1, 2003.