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A Pharmacy Chain's Quest to Reduce Medicaid Fraud, Waste, and Abuse

A mid-sized pharmacy chain needed to find a way to get ahead of Medicaid compliance infractions and the resulting fines.

The Challenge

Healthcare fraud, waste, and abuse (FWA) costs the American healthcare system an estimated \$54 billion annually. The Deficit Reduction Act empowers the Centers for Medicare & Medicaid Services (CMS) and ultimately individual state Medicaid Inspector Generals to audit and fine pharmacies for FWA infractions. In fact, several states' Medicaid programs (not coincidentally those with the largest budget deficits) have had considerable success in using these legislative tools to "claw back" funds into the state's coffers.

Pharmacies have begun to experience considerable pressure from both federal and state agencies to detect and eradicate FWA. The penalties levied to date have been significant to the tune of hundreds of millions of dollars.

A mid-sized pharmacy chain needed to find a way to get ahead of Medicaid compliance infractions and the resulting fines. They needed to establish a baseline of their historic performance and develop a strategy to improve their compliance problem "hot spots" by upgrading store-level operational practices as well as detecting future compliance errors in real-time and weeding them out at the source.

The Strategy

The primary business requirements were to establish a baseline compliance assessment for the chain's Medicaid prescription claims processing and to identify claims that were eligible for resubmission. The data to be evaluated consisted of:

- Two years of Medicaid prescription claims from New York State
- Three million total prescription claim transactions
- \$186 million total claim value

The goal of the assessment was to measure the rate and frequency of the compliance error types. CMS and state Medicaid audits were levying fines for these errors, but they were previously untracked by the chain.



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The Solution

The Health Market Science's Prescriber Eligibility retrospective compliance analysis service was determined to be the only impartial, third-party offering of its kind. It had the ability to measure compliance risk via federal, state and Medicaid layers. Prescriber Eligibility was able to meet or exceed several important criteria:

- Prescriber validation of federal/state licensure (e.g. active licensure, in-good-standing, alive, etc.)
- Supplied prescriber identifier/name checking
- Prescriber sanctions
- DEA controlled substance schedule checking
- Drug-specific eligibility by state for mid-level practitioners
- State-specific controlled substance checking
- Deceased prescribers

The Outcome

The pharmacy chain's ability to retrospectively detect and measure their compliance risk was significantly enhanced. The analysis provided the chain with valuable, actionable data including:

- Summary charts by compliance error type documenting \$30 million of claims potentially subject to fines (state treble damages for FWA make total risk \$90 million)
 - \$10 million in fines avoided via resubmission of corrected claims (prescriber identifier/name mismatch) using data provided by Health Market Science
- Insights and key takeaways for each error type
- Store-level detailed error data (raw and pivot formats)
- Zip-level drill-down analysis highlighting outliers for each error type
- Zip-level heat maps for each error type (by rate and frequency)
- Allowed the chain to amend their store-wide training program with updated operational practices designed to detect and eradicate certain types of FWA at the point of sale