

Top 10 Ways to Stop Medi-Cal Fraud

LEGISLATION

(1) TRUTH IN DRUG PRICING INFORMATION

Would allow the state of California to obtain accurate pharmaceutical pricing data from drug manufacturers, wholesalers and retailers that can be relied upon to establish appropriate reimbursement rates for the more than 40,000 pharmaceutical products on the Medi-Cal drug formulary. This bill would end what is arguably the largest, single source of Medi-Cal fraud and abuse by injecting transparent and fair rules into the current rate-setting methodology, a method so flawed that it has caused Medi-Cal to pay what a federal court judge has called “the sucker price” for Medi-Cal reimbursable drugs.

Bill Number: SB 1170 (place-holding language only)

Author: Senator Deborah Ortiz

(2) CONFIRMATION OF SERVICES

(a) Would provide Medi-Cal beneficiaries with notification of all goods and services that the beneficiaries were reported to have received. This notification requests that discrepancies [i.e., goods and services that (1) were never received, (2) were more costly than those actually received, and/or (3) triggered suspicion of being medically necessary] be immediately reported to authorities.

(b) Would provide referring and rendering providers with notification of all goods and services that they reportedly prescribed or delivered. This notification requests that discrepancies be immediately reported to authorities.

Both components of this bill would create a compelling deterrent for those who are considering filing false claims with the Medi-Cal program and also serve as an early detector of fraudulent activity.

Bill Number: SB 1359

Author: Senator Jim Brulte

(3) REWARD FOR INFORMATION LEADING TO THE PROSECUTION OF FRAUD

Provide a monetary reward for reporting fraud (e.g., 10% of the total amount recovered --- up to a maximum of \$1,000 --- for information that leads to a recovery). This works in conjunction with recommendation (2) to encourage the reporting of suspected fraud.

Bill Number: SB 1360

Author: Senator Jim Brulte

(4) ENHANCED INSPECTIONS

When there is reason to believe that a provider has or will defraud the Medi-Cal program, SB 1358 would provide the California Department of Justice with the ability to conduct on-site inspections of the provider's records and business facilities.

This authority exactly mirrors the California Department of Health Services's existing authority to visit providers during the course of its investigations. It is also consistent with the inspection authority granted to other regulatory and law enforcement agencies that are tasked with oversight responsibilities over regulated industries.

Bill Number: SB 1358

Author: Senator Martha Escutia

(5) OBSTRUCTION OF JUSTICE

Would make an individual who knowingly and willfully interferes with a criminal investigation of fraud and/or abuse in the Medi-Cal program subject to a sentence enhancement of an additional two years and a \$10,000 fine. Examples of obstruction of justice include the following:

- < making fraudulent statements
- < falsifying records
- < destroying/concealing evidence
- < intimidating or unduly influencing potential witnesses
- < falsely scapegoating the innocent

Bill Number: SB 1361

Author: Senator Jim Brulte

(6) GEOGRAPHIC SERVICE AREAS

Would help stop the exploitation of economically-disadvantaged, non-English speaking immigrants and the urban poor by requiring the following:

- < the state Department of Health Services to establish geographic service areas that are reasonable in distance to the beneficiary's place of residence and ensure adequate health access and choice;
- < prohibit Medi-Cal reimbursement to providers who deliver goods and services to beneficiaries who are outside of the beneficiaries' service areas, unless there is a medical necessity.

Bill Number: SB 1850

Author: Senator Mike Machado

TASK FORCE

(7) Modernize our fraud detection technology . . . modeling it on successful anti-fraud systems utilized by industries that historically have been popular targets for fraud, such as retailers, insurance carriers, and credit card companies.

(8) Devise methodology to measure the level of improper payments and identify those areas within the Medi-Cal program that are suffering the highest losses. A December 2003 report by the Bureau of State Audits makes this same recommendation and states, “Without this information, Health Services cannot know whether it is overinvesting or underinvesting in its anti-fraud efforts, or whether it is allocating resources in the right areas.”

(9) Establish an electronic clearinghouse (similar to LA CLEAR) so that law enforcement, regulatory, and licensing agencies from all levels of government can effectively share information and coordinate their activities.

MAY REVISE

(10) Hire more peace officers and prosecutors to more aggressively investigate and prosecute those who defraud the Medi-Cal program. California can accomplish this cheaply by taking advantage of federal grant moneys that are available to fund 75% of all such expansions.