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National Association of State Medicaid Directors

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an affiliate of the American Public Human Services Association

November 3, 2009

Mr. William Corr  
Deputy Secretary  
Department of Health and Human Services  
Room 614-G  
Hubert H. Humphrey Building  
200 Independence Avenue, S.W.  
Washington, DC 20201

Dear Mr. Corr:

I am writing to you to express the National Association of State Medicaid Directors' support for a summit on ways to prevent fraud in Medicare and Medicaid. NASMD and its members remain committed to collaborating with the Department of Health and Human Services to effectively combat fraud, waste and abuse in Medicaid. However, we are extremely concerned that your preliminary list of summit participants did not include State Medicaid directors.

On October 28, 2009 you testified in front of the Senate Judicial Panel at a hearing regarding, "Effective Strategies for Preventing Health Care Fraud." In your testimony, you outlined that a HHS taskforce is considering hosting a, "national summit on health care fraud that would include participants from every affected group, including private insurers, beneficiaries, law enforcement and providers." If HHS hosts this summit, it must include representatives from State Medicaid agencies and State Inspector General offices. States share the responsibility for oversight of Medicaid with the Federal Government and have an equal role in combating health care fraud. We strongly agree with your statement that collaboration is a necessary part of fraud detection and prevention, and further assert that Medicaid agencies are one of the most important partners in this effort.

When discussing fraud, waste, and abuse in Medicaid, it is important to remember that Medicaid is a jointly operated and jointly funded program. While the Federal government finances approximately 57% of Medicaid outlays on average, the remaining funds come from State general funds. In many States, Medicaid represents the largest program in the State budget. States have as much of a vested interest in the integrity of the Medicaid Program as the Federal government. For that reason it is important to collaborate on productive ways to prevent fraud and abuse and to quickly identify and address problems when they occur.

We are also concerned that you did not mention the many activities of State Medicaid agencies to combat fraud, waste and abuse. While we recognize that there is more to be done to combat fraud, waste and abuse, your testimony belies the multitude of successful activities that States currently operate. It is very important to build on the exceptional programs in various States and the support that Medicaid agencies provide to the numerous State and Federal entities that review waste, fraud and abuse. All State Medicaid agencies engage in fraud and abuse prevention, detection and correction activities. States estimate that they expended \$181 Million on program integrity activities during Federal Fiscal Year 2007, which resulted in approximately \$1.3 Billion in Medicaid recoveries due to improper payments, fraud and abuse. Some common prevention and detection activities include:

- **Electronic prescriptions:** Many states have been using Health Information Technology, funded through Medicaid Transformation Grants and other mechanisms, to develop E-prescribing technology. This technology not only reduces accidental provider error, but can also help identify patterns of abuse by providers and by beneficiaries.
- **Secret shoppers:** Many States have also been involved in the development and implementation of “secret shopper” initiatives. In these programs, Medicaid investigators pose as beneficiaries to probe providers suspected of fraud and abuse. States have been able to identify and correct a number of instances of providers not complying with Medicaid policies through these projects.
- **Surveillance and Utilization Review Systems:** States regularly utilize SURS systems to identify cases of inappropriate prescriptions, over-prescribing, provider malpractice and other potential instances of fraud and abuse. According to the CMS State Program Integrity Assessment, all 50 states engage in some type of SURS data mining to identify suspect claims. While not every single case is resolved, States are able to identify and mitigate a significant amount fraud.

NASMD encourages HHS to hold the proposed summit, but we believe that you must include State officials, including Medicaid Directors and State Inspector Generals, as equal partners in the discussions. Medicaid Directors are willing and able to support HHS as partners in the prevention, detection, and prosecution of people who are defrauding the nation’s public health care system. Please feel free to contact me at (202) 682-0100 x299, or [akohler@aphsa.org](mailto:akohler@aphsa.org) to discuss this issue further.

Sincerely,



Ann Clemency Kohler  
Director, National Association of State Medicaid Directors

Cc: Secretary Kathleen Sebelius  
Cc: Cindy Mann