

HEALTH REFORM **IMPACT**

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More Efforts To Stop “Pay and Chase:” CMS Launches Predictive Modeling Technology

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As of July 1, 2011, the Centers for Medicare & Medicaid Services (“CMS”) has added a new tool to the arsenal of tactical measures aimed at stopping fraudulent claims payments before they are processed.¹ This new tool, which uses Predictive Modeling Technology (“PMT”), is the latest addition to the *Campaign to Cut Waste*² and is an effort to stop the “pay and chase” quandary that results from remitting funds and then being forced to track down problematic providers.³

Overview of PMT

PMT is comparable to technology that credit card companies use to catch fraudulent charges on a real-time basis. A risk scoring technology will be used to analyze Medicare claims upon submission and will apply predictive models to identify fraudulent claims. This initiative is a groundbreaking move for CMS as it will be the first time it has monitored real-time data in an attempt to find suspicious claims. By looking at the claims before payment, CMS hopes to intercept each claim and prevent any transfers of funds to the provider submitting the claim.

The authority for the PMT program is found in Section 4241 of the Small Business Jobs Act of 2010 (the “Act”), which President Obama signed on September 27, 2010. The Act requires the Health and Human Services Secretary to identify the 10 states with the highest risk of waste, fraud and abuse in the Medicare program and use PMT for at least one year to identify and stop fraudulent claims. After the initial year, the actual savings will be examined along with the effect on providers and beneficiaries. If the initial year is deemed successful, more states will be added in subsequent years until the entire country is covered by the program.

Implementing PMT

In order to implement the PMT program, CMS issued a Request for Proposal (“RFP”) in the fall of 2010.⁴ Included among the specifications in the RFP were the ability to (1) handle approximately 4.5 million claims per day, (2) integrate seamlessly into the existing Medicare claims system, (3) provide rapid real-time information, (4) use a statistically guided PMT to prevent improper payments, (5) use risk scoring

¹ Please see [CMS Press Release](#), published June 17, 2011.

² *Campaign to Cut Waste*, June 13, 2011; video available of [announcement](#).

³ For an earlier issue of *Health Reform IMPACT* regarding the campaign against “pay and chase,” see [“Pay and Chase’ No More: CMS Begins Implementing Health Reform’s Provider Enrollment Provisions.”](#) November 12, 2010.

⁴ CMS Solicitation Number: RFP-CMS-2010-0054, September 15, 2010.

methods to flag unusual claims, and (6) permit modifications for future advances in technology. CMS has chosen Northrop Grumman ("NG"), which is a global provider of advanced information solutions, as the winner of the RFP and the company that will implement the PMT. NG will utilize National Government Services and Federal Network Systems, LLC, a Verizon Company, to assist it with managing the abundance of claims data and other sources of information. NG intends to use its own algorithms and proprietary analytical tools to examine CMS claims to find suspect claims and flag them with appropriate "risk scores." The flagged claims will then be prioritized for additional review and potential investigation.

If you have any questions regarding this issue of *Health Reform IMPACT*, please contact any of the attorneys in our Healthcare Practice Group below.

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Bass, Berry & Sims Healthcare Attorneys

Philip F. Berg
(615) 742-7908
pberg@bassberry.com

Krista T. Cooper
(615) 742-7734
kcooper@bassberry.com

Meredith Edwards
(615) 742-7823
medwards@bassberry.com

Mary Beth Fortugno
(615) 742-7739
mfortugno@bassberry.com

Lauren Gaffney
(615) 742-7824
lgaffney@bassberry.com

Pooneh Ghiassi
(615) 742-7782
pghiassi@bassberry.com

Anna Grizzle
(615) 742-7732
agrizzle@bassberry.com

Elisa E. Harris
(615) 742-6553
eharris@bassberry.com

Angela Humphreys
(615) 742-7852
ahumphreys@bassberry.com

**J. James Jenkins, Jr.,
Chair**
(615) 742-6236
jjenkins@bassberry.com

Seth A. Killingbeck
(615) 742-7707
skillingbeck@bassberry.com

Daniel R. Kuninsky
(615) 742-7837
dkuninsky@bassberry.com

Claire F. Miley
(615) 742-7847
cmiley@bassberry.com

T. Scott Noonan
(615) 742-6273
snoonan@bassberry.com

Shannon Pinkston
(615) 742-7727
spinkston@bassberry.com

Cynthia Y. Reisz
(615) 742-6283
creisz@bassberry.com

Brian D. Roark
(615) 742-7753
broark@bassberry.com

Catherine J.B. Sloan
(615) 742-7789
csloan@bassberry.com

Danielle M. Sloane
(615) 742-7763
dsloane@bassberry.com

Nesrin Garan Tift
(615) 742-7903
ntift@bassberry.com

Leigh Walton
(615) 742-6201
lwalton@bassberry.com

Elizabeth S. Warren
(615) 742-7719
ewarren@bassberry.com

Douglas M. Wolford
(615) 742-7917
dwolford@bassberry.com

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