GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE BILL 307*
PROPOSED COMMITTEE SUBSTITUTE S307-PCS15136-SQ-9

Short Title:	Smart Card Biometrics Against Medicaid Fraud.	(Public)
Sponsors:		
Referred to:		

March 10, 2011

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH THE NORTH CAROLINA SMART CARD PILOT PROGRAM
3 TO UTILIZE BIOMETRICS TO COMBAT FRAUD.
4 The General Assembly of North Carolina enacts:
5 **SECTION 1.** Smart Card Pilot Program. – There is established under the
6 Department of Health and Human Services the North Carolina Smart Card Pilot Program. The
7 pilot program shall be administered by the Program Integrity Unit of the Division of Medical
8 Assistance. The Department shall determine the scope of the pilot program and may enter into
9 an agreement with a third-party vendor for the purpose of developing and executing the pilot
10 program in accordance with this act. The pilot program shall be initiated for a 12-month period.
11 The pilot program shall involve enrollment, distribution, and use of smart cards by all
12 recipients as replacements for currently used Medicaid assistance cards.
13 **SECTION 2.(a)** The pilot program shall be designed to do all of the following:
14 (1) Authenticate recipients at the onset and completion of each point of
15 transaction in order to prevent card sharing and other forms of fraud.
16 (2) Deny ineligible persons at the point of transaction.
17 (3) Authenticate providers at the point of transaction to prevent phantom billing
18 and other forms of provider fraud.
19 (4) Secure and protect the personal identity and information of recipients.
20 (5) Reduce the total amount of medical assistance expenditures by reducing the
21 average cost per recipient.
22 **SECTION 2.(b)** The pilot program may include all of the following:
23 (1) An information system for recording and reporting authenticated
24 transactions.
25 (2) An information system that interfaces with the appropriate State databases to
26 determine eligibility of recipients.
27 (3) A system that gathers analytical information to be provided to data-mining
28 companies in order to assist in data-mining processes.
29 (4) A smart card with the ability to store multiple recipients' information on one
30 card.
31 (5) No requirement for preenrollment of recipients.
32 (6) An image of the recipient stored on both the smart card and database.
33 **SECTION 2.(c)** In implementing the pilot program, the Department may do the
34 following:

(1) Have alternative methods of authentication of recipients.
(2) Enter and store billing codes, deductible amounts, and bill confirmations.
(3) Allow electronic prescribing services and prescription database integration and tracking in order to prevent medical error through information sharing and to reduce pharmaceutical abuse and lower health care costs.
(4) Implement quick-pay incentives for providers when electronic prescribing services, electronic health records, electronic patient records, or computerized patient records used by providers automatically synchronize with recipients' smart cards and electronically submit a claim.
(5) Allow the program, including, but not limited to, smart cards, fingerprint scanners, and card readers, to be adapted for use by other State programs administered by the Department and the Department of Human Services in order to reduce costs associated with the necessity of multiple cards per recipient.

SECTION 2.(d) The pilot program shall be considered a success if it meets the minimum criteria defined by this act and reduces the average monthly cost of recipients within the pilot program area by a minimum of three percent (3%). In the event that the pilot program does not meet the minimum criteria to be considered a success, the Department may extend and revise the pilot program as necessary and reevaluate the results. In order to evaluate the average monthly cost of recipients within the pilot program and develop the strategy necessary to target the highest rate of savings to the State plan, four sample sets of figures shall be analyzed for the pilot program, including the following:

(1) Establishment of base figures. – Gather claims data for a first sample set, which shall include all claims for the recipients within the pilot program area and the average cost per recipient by provider type and county from at least the prior year for the exact time period for all areas in the pilot program.
(2) Adjusted base figures for increase or decrease in cost of services. – In order to evaluate increases or decreases in the cost of services, a second sample set shall be gathered and adjusted to the base figures of the first sample set. The second sample set of claims data shall represent a rural area and an urban area not participating in the pilot program, with as close as possible demographics as the population of recipients in the pilot program areas, including specific data relating to sex, age, race, and ethnicity, county similarities, number of providers, and the average cost per recipient. This sample set shall be analyzed against the prior year's figures and compared to current year figures for the same time frame and area to determine an increase or decrease in cost of services. This sample shall not have any major changes from the prior year to the current year that would change the comparison, such as the introduction of managed care in the area. The increase or decrease in cost per recipient from this sampling shall be factored into the data set determined pursuant to subdivision (1) of this subsection to derive at an adjusted base figure or average cost per recipient per month.
(3) Comparison of base figures to current figures. – A third sample set of data shall be gathered reflecting the claims data of the recipients and the average cost per recipient on a monthly basis during the pilot program by provider type. A comparison of the adjusted base figures arrived at by the prior sampling with the actual figures from this third sample set shall be made to determine how much the State saved by provider type. Recipients leaving the pilot program area to avoid fraud detection will be noted, thus the third sample set will be adjusted by claims derived outside of the pilot program area.

1 (4) Recipient surveying. – A fourth sample set of data shall be obtained by
2 sampling two percent (2%) of Medicaid recipients in the pilot program area
3 and shall be surveyed prior to the start of the pilot program to acknowledge
4 services used, frequency of services used, and satisfaction of services used.
5 This survey shall be taken again at the completion of the pilot program to
6 rate the level of satisfaction of the pilot program.
7 **SECTION 2.(e)** The pilot program shall not be expanded unless the General
8 Assembly provides for its continuation or expansion. During the pilot program, the Department
9 may consider the feasibility of expanding the pilot program, including the need to develop rules
10 and policies related to the following:
11 (1) The handling of lost, forgotten, or stolen cards.
12 (2) Enrolling all recipients, regardless of age, for participation in the program.
13 (3) Distributing and activating smart cards for all recipients.
14 **SECTION 3.** Reports. – By June 30, 2012, the Department shall submit a detailed
15 written report on the implementation and success of the smart card pilot program to the
16 Governor, to the Speaker of the House of Representatives, to the President Pro Tempore of the
17 Senate, to the Chairs of the Senate and House of Representatives Appropriations Committees,
18 and to the Fiscal Research Division.
19 **SECTION 4.** Compliance and Prosecutions. – This act shall be construed
20 consistent with the federal Social Security Act, and any provision of this article found to be in
21 conflict with the federal Social Security Act shall be deemed to be void and of no effect. If,
22 before implementing any provision of this act, the Department determines that a waiver or
23 authorization from a federal agency is necessary for implementation of that provision, the
24 Department shall request the waiver or authorization as soon as practicable. If, in connection
25 with the pilot program, the Department has reason to believe medical assistance fraud has been
26 committed, the Department shall refer such matters to the Attorney General or to the local
27 district attorney for prosecution, as appropriate.
28 **SECTION 5.** Funds appropriated to the Department of Health and Human Services
29 for the 2010-2011 fiscal year for the purpose of fraud prevention shall not revert at the end of
30 the fiscal year and shall be carried forward to the 2011-2012 fiscal year to carry out the
31 purposes of this act.
32 **SECTION 6.** This act is effective when it becomes law.