



**Task Force on LaVerify, a single-source identification and benefit card system
for prevention of fraud in Medicaid enrollment and point-of-service fraud
House Resolution No. 256 of the 2019 Regular Session**

January 28, 2020

The Honorable Clay Schexnayder, Speaker and
Honorable Members of the House of Representatives
Louisiana State House of Representatives
P.O. Box 94062, Capitol Station
Baton Rouge, LA 70804-9062

Re: HR 256 Report

In response to House Resolution 256 (HR 256) of the 2019 Regular Session, the Electronic Benefit Card Taskforce submits the enclosed report. The resolution requires the Taskforce to address the following:

- 1) To study matters relating to establishing a single-source identification and benefit card system known as LaVerify for prevention of fraud in Medicaid enrollment and Medicaid point-of-service fraud.
- 2) To submit to the House of Representatives of the Legislature of Louisiana a written report of findings and recommendations regarding actions necessary for creating and implementing the LaVerify system on or before February 1, 2020.
- 3) To submit a copy of the report to the Commissioner of Administration, the Secretary of the Louisiana Department of Revenue, the secretary of the Louisiana department of Health, the secretary of the Department of Children and Family Services, and the attorney general.

Please feel free to contact Jarrod Coniglio, La Verify Task Force Chairperson, at (225) 342-6726 should you have any questions or comments regarding the enclosed report.

Sincerely,
LaVerify Task Force

Enclosure

cc: Jay Dardenne, Commissioner of Administration
Dr. Rebekah E. Gee, Secretary of the Louisiana Department of Health
Jeff Landry, Attorney General
Kimberly L. Robinson, Secretary of the Louisiana Department of Revenue
Marketa Garner Walters, Secretary of the Louisiana Department of
Children & Family Services

Representative Jack McFarland
LaVerify Task Force members

Task Force on LaVerify

February 1, 2020

*HR 256 of the 2019 Regular
Session: Report of Findings
& Recommendations*

Introduction

This serves as the final report of findings and recommendations from the *Task Force on LaVerify*. The Louisiana Legislature created the Task Force during the 2019 Regular Session for the following purposes:

- 1) To study matters relating to establishing a single-source identification and benefit card system known as LaVerify for prevention of fraud in Medicaid enrollment and Medicaid point-of-service fraud.
- 2) To submit to the House of Representatives of the Legislature of Louisiana a written report of findings and recommendations regarding actions necessary for creating and implementing the LaVerify system.
- 3) To submit a report to the House of Representatives of the Legislature of Louisiana on or before February 1, 2020

Task Force Members



The Task Force has 5 voting members and a team of non-voting members, all of which represented LaVerify. The voting members of the Task Force are as follows:

- **Jarrold J. Coniglio**, Chairperson, Medicaid Program Integrity Section Chief, Louisiana Department of Health (LDH)
- **Luke Morris**, Vice Chairperson, Assistant Secretary, Louisiana Department of Revenue (LDR)
- **Rick McGimsey**, Executive Counsel, Division of Administration (DOA)
- **Sammy Guillory**, Deputy Assistant Secretary, Department of Children & Family Services (DCFS)
- **Jason St. Romain**, Special Agent/Financial Investigator, Medicaid Fraud Control Unit (MFCU)

The resolution required LaVerify representatives to be a part of the Task Force. Due to multiple concerns, there was a decision to exclude LaVerify, a potential vendor, from voting rights. Therefore, the non-voting members of the Task Force are as follows:

- **Paul Luker**, LaVerify
- **Michelle Citron**, LaVerify
- **Kim Luker**, LaVerify
- **Hollie Citron**, LaVerify

Meeting Dates and Discussion Summary

Meeting Date	Discussion Summary
July 26, 2019	Introductions and how the single card will extend to Worker's Compensation and hopefully other agencies
August 23, 2019	Internal state progress on electronic cards was shared and discussed at length; LaVerify fraud prevention claim questioned
October 11, 2019	Presentations by two vendors with Q&A from the Taskforce
November 15, 2019	Reviewed all items previously presented and took comments from the attending public
January 17, 2020	Draft report review and approval

Findings

Finding 1: Government Accountability Office (GAO) report number 15-319 entitled Potential Uses of Electronically Readable Cards for Beneficiaries and Providers¹ found limited utility in using electronically readable cards to combat Medicare fraud.

As Medicare and Medicaid are both regulated by the Centers for Medicare & Medicaid Services (CMS), the Task Force found that these findings are likewise applicable to Medicaid. Relevant findings of the GAO include:

- a. Use of electronic cards to authenticate beneficiary and provider presence at the point of care would have “limited effect” on combatting fraud since CMS would continue to pay claims regardless of whether a card was used, as there are multiple valid reasons for the absence of a card (page 14).
- b. There are no reliable estimates of the extent or total dollar value associated with specific types of Medicare fraud schemes, so the extent to which the use of electronic cards at the point of service would curtail fraud is unknown (page 15).

¹ <https://www.gao.gov/assets/670/669228.pdf>

- c. “Electronically readable cards would have a limited effect on program integrity” (page 39).
- d. “Implementing and maintaining an electronically readable Medicare card system would likely require considerable time and effort” (page 39).

Finding 2: The LaVerify system is not currently in existence and would potentially require significant development hours and capital. Based on vendor presentations, the capacity to prevent and detect fraud through the use of electronic cards and associated systems may be more readily available from other vendors.

Finding 3: Based on vendor presentations and research, the Task Force was unable to formulate a cost estimate for the implementation of the use of LaVerify electronic cards in Medicaid.

However, the following items were identified as cost factors for the state:

- a. One-time cost of replacing current Medicaid cards with a new electronic card for the approximately 1.6 million Medicaid recipients enrolled as of October 2019. While vendors were unable to provide a precise cost for the electronic cards, estimates ranged from a few cents to a few dollars more per card than the price of the current cards².
- b. Ongoing increased costs associated with issuing more expensive electronic cards to newly enrolled individuals and individuals who have lost their card.
- c. One-time cost of procuring new equipment to produce the electronic cards, as well as ongoing equipment maintenance costs.
- d. One-time cost of developing interfaces to obtain photos from other state agencies, as well as the cost of equipment to take photos of individuals for whom a photo is not available from another source.
- e. Ongoing costs to license the chosen vendor’s card use monitoring software and services.

² Current Medicaid cards cost \$1.98 per card, which includes the cost of the card, mailer, postage, and processing.

Finding 4: *In addition to the costs to the state, healthcare providers would be required to invest in card-reading equipment and/or systems compatible with the electronic cards so that data could be collected and transferred to LDH.*

Finding 5: *The Office of Technology Services has considered issuing and implementing a statewide card system to all recipients on government assistance but has not taken action due to the CMS position to not deny services if a card is not presented (see 1.a. above).*

Finding 6: *The Medicaid Managed Care Organizations could initiate and implement the use of an electronic card with no direction from this Task Force or legislation. However, the cost concerns would remain because the cost would be passed directly on to Medicaid at as administrative costs for rate-setting or through contract negotiations.*

Finding 7: *The state would have to obtain an 1115 demonstration waiver to conduct a pilot with limited application. Statewide application is required under federal Medicaid regulations unless the LDH obtains waiver authority for regional or limited eligibility group application.*

- a. 1115 waivers require demonstration of budget neutrality, meaning that LDH would have to show that costs of this pilot are not more than the existing program costs without the waiver, or that other savings would be realized to counterbalance the increased administrative costs.
- b. Since services cannot be denied for failure to provide the ID card, it is unclear how this program will produce savings to demonstrate budget neutrality and CMS waiver approval seems unlikely.
- c. An 1115 waiver is administratively burdensome, requiring multiple layers of monitoring and evaluation and data collection to prove effectiveness of the demonstration. This workload increase would require additional staff. Development of the 1115 waiver is estimated to cost over \$1.6 million in actuarial contract costs, staffing and supports.

Recommendation

Because the implementation of an electronic card system used to verify Medicaid eligibility, an individual's identity, and the individual's and provider's presence at the point of care is anticipated to result in significant development, implementation, and maintenance costs while providing limited enhancements to LDH's ability to prevent and detect fraud, the Task Force recommends not moving forward with an electronically readable card system. If CMS changes its position and/or new information is made available, the Task Force should be resurrected to reconsider at that time.