

**First Regular Session  
Sixty-ninth General Assembly  
STATE OF COLORADO**

**PREAMENDED**

*This Unofficial Version Includes Committee  
Amendments Not Yet Adopted on Second Reading*

LLS NO. 13-0239.01 Brita Darling x2241

**SENATE BILL 13-137**

---

**SENATE SPONSORSHIP**

**Roberts,**

**HOUSE SPONSORSHIP**

**(None),**

---

**Senate Committees**  
Health & Human Services

**House Committees**

---

**A BILL FOR AN ACT**

101     **CONCERNING SYSTEM IMPROVEMENTS TO PREVENT FRAUD IN THE**  
102             **MEDICAID PROGRAM, AND, IN CONNECTION THEREWITH,**  
103             **EMPLOYING ADVANCED DATA ANALYTICS.**

---

**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)*

The bill directs the chief information officer of the office of information technology (office) to design and implement a medicaid fraud detection system (system) for the purpose of detecting and preventing medicaid provider and client fraud, waste, and abuse.

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

The system designed by the chief information officer shall include industry best practices relating to fraud detection and prevention. The chief information officer shall also incorporate emerging strategies and technologies into the system as they become available.

Among other data and information, the system shall utilize medicaid claims and billing data and information from providers, and state and federal agency data-matching systems.

Utilizing appropriate data-sharing protocols, the bill requires state agencies to provide data and information to the office for purposes of implementing the system.

The bill requires the department of health care policy and financing (state department) to collaborate with the office in the design, implementation, and operation of the system. Consistent with state and federal law concerning data sharing and medicaid records, the state department shall provide necessary data and information to the office concerning medicaid providers and clients.

The state department shall participate in securing funding for the system, as such funding may be available, and shall consider various funding mechanisms for the system.

---

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. In Colorado Revised Statutes, add 25.5-1-114.5 as**  
3 **follows:**

4 **25.5-1-114.5. Medicaid fraud detection - request for**  
5 **information. (1) IN ENACTING THIS SECTION, THE GENERAL ASSEMBLY**  
6 **INTENDS TO:**

7 **(a) IMPLEMENT WASTE, FRAUD, AND ABUSE DETECTION,**  
8 **PREVENTION, AND RECOVERY SOLUTIONS TO IMPROVE PROGRAM**  
9 **INTEGRITY IN THE STATE'S MEDICAID PROGRAM AND CREATE EFFICIENCY**  
10 **AND COST SAVINGS THROUGH A SHIFT FROM A RETROSPECTIVE "PAY AND**  
11 **CHASE" MODEL TO A PROSPECTIVE PREPAYMENT MODEL; AND**

12 **(b) INVEST IN THE MOST COST-EFFECTIVE TECHNOLOGIES OR**  
13 **STRATEGIES THAT YIELD THE HIGHEST RETURN ON INVESTMENT.**

14 **(2) BY SEPTEMBER 30, 2013, THE STATE DEPARTMENT SHALL ISSUE**

1     A REQUEST FOR INFORMATION TO SEEK INPUT FROM POTENTIAL  
2     CONTRACTORS ON CAPABILITIES THAT THE STATE DEPARTMENT DOES NOT  
3     CURRENTLY POSSESS, FUNCTIONS THAT THE STATE DEPARTMENT IS NOT  
4     CURRENTLY PERFORMING, AND THE COST STRUCTURES ASSOCIATED WITH  
5     IMPLEMENTING:

6             (a)    ADVANCED PREDICTIVE MODELING AND ANALYTICS  
7     TECHNOLOGIES TO PROVIDE A COMPREHENSIVE AND ACCURATE VIEW  
8     ACROSS ALL PROVIDERS, RECIPIENTS, AND GEOGRAPHIC LOCATIONS WITHIN  
9     THE MEDICAID PROGRAM IN ORDER TO:

10            (I)   IDENTIFY AND ANALYZE THOSE BILLING AND UTILIZATION  
11     PATTERNS THAT REPRESENT A HIGH RISK OF FRAUDULENT ACTIVITY;

12            (II)   BE EASILY INTEGRATED INTO THE EXISTING MEDICAID  
13     PROGRAM CLAIMS OPERATIONS;

14            (III)   UNDERTAKE AND AUTOMATE SUCH ANALYSIS BEFORE  
15     PAYMENT IS MADE TO MINIMIZE DISRUPTIONS TO STATE DEPARTMENT  
16     OPERATIONS AND SPEED CLAIM RESOLUTION;

17            (IV)   PRIORITIZE THE IDENTIFIED TRANSACTIONS FOR ADDITIONAL  
18     REVIEW BEFORE PAYMENT IS MADE BASED UPON THE LIKELIHOOD OF  
19     POTENTIAL WASTE, FRAUD, OR ABUSE;

20            (V)   OBTAIN OUTCOME INFORMATION FROM ADJUDICATED CLAIMS  
21     TO ALLOW FOR REFINEMENT AND ENHANCEMENT OF THE PREDICTIVE  
22     ANALYTICS TECHNOLOGIES BASED ON HISTORICAL DATA AND ALGORITHMS  
23     WITH THE SYSTEM; AND

24            (VI)   PREVENT THE PAYMENT OF CLAIMS FOR REIMBURSEMENT  
25     THAT HAVE BEEN IDENTIFIED AS POTENTIALLY WASTEFUL, FRAUDULENT,  
26     OR ABUSIVE UNTIL THE CLAIMS HAVE BEEN AUTOMATICALLY VERIFIED AS  
27     VALID;

1           (b) PROVIDER AND RECIPIENT DATA VERIFICATION AND SCREENING  
2           TECHNOLOGY SOLUTIONS, WHICH MAY USE PUBLICLY AVAILABLE  
3           RECORDS, FOR THE PURPOSES OF AUTOMATING REVIEWS AND IDENTIFYING  
4           AND PREVENTING INAPPROPRIATE PAYMENTS BY:

5           (I) IDENTIFYING ASSOCIATIONS BETWEEN PROVIDERS,  
6           PRACTITIONERS, AND BENEFICIARIES THAT INDICATE RINGS OF COLLUSIVE  
7           FRAUDULENT ACTIVITY; AND

8           (II) DISCOVERING RECIPIENT ATTRIBUTES THAT INDICATE  
9           IMPROPER ELIGIBILITY, INCLUDING BUT NOT LIMITED TO DEATH,  
10          OUT-OF-STATE RESIDENCY, INAPPROPRIATE ASSET OWNERSHIP, OR  
11          INCARCERATION; AND

12          (c) FRAUD INVESTIGATION SERVICES THAT COMBINE  
13          RETROSPECTIVE CLAIMS ANALYSIS AND PROSPECTIVE WASTE, FRAUD, OR  
14          ABUSE DETECTION TECHNIQUES. THESE SERVICES MUST INCLUDE  
15          ANALYSIS OF HISTORICAL CLAIMS DATA, MEDICAL RECORDS, SUSPECT  
16          PROVIDER DATABASES, AND HIGH-RISK IDENTIFICATION LISTS, AS WELL AS  
17          DIRECT RECIPIENT AND PROVIDER INTERVIEWS. EMPHASIS MUST BE  
18          PLACED ON PROVIDING EDUCATION TO PROVIDERS AND ALLOWING THEM  
19          THE OPPORTUNITY TO REVIEW AND CORRECT ANY PROBLEMS IDENTIFIED  
20          PRIOR TO ADJUDICATION.

21          (3) IN ADDITION TO THE INFORMATION PROVIDED PURSUANT TO  
22          SUBSECTION (2) OF THIS SECTION, A POTENTIAL CONTRACTOR RESPONDING  
23          TO THE REQUEST FOR INFORMATION SHALL INCLUDE INFORMATION  
24          CONCERNING:

25          (a) THE EXTENT TO WHICH THE POTENTIAL CONTRACTOR WILL  
26          SEEK CLINICAL AND TECHNICAL EXPERTISE FROM COLORADO PROVIDERS  
27          CONCERNING THE DESIGN AND IMPLEMENTATION OF THE MEDICAID FRAUD

1 DETECTION SYSTEM DESCRIBED IN THIS SECTION AND THE METHOD OR  
2 METHODS FOR SEEKING THAT EXPERTISE; AND

3 (b) THE POTENTIAL CONTRACTOR'S ABILITY TO CREATE AN  
4 EDUCATION AND OUTREACH PROGRAM THAT IS WIDELY AVAILABLE AND  
5 EASILY ACCESSIBLE TO COLORADO PROVIDERS FOR PURPOSES OF  
6 EDUCATING PROVIDERS ON ISSUES RELATING TO COVERAGE AND CODING.

7 (4) (a) THE STATE DEPARTMENT IS ENCOURAGED TO USE THE  
8 RESULTS OF THE REQUEST FOR INFORMATION TO CREATE FORMAL  
9 REQUESTS FOR PROPOSALS TO CARRY OUT THE WORK IDENTIFIED IN THIS  
10 SECTION IF THE FOLLOWING CONDITIONS ARE MET:

11 (I) THE STATE DEPARTMENT EXPECTS TO GENERATE STATE  
12 SAVINGS BY PREVENTING FRAUD, WASTE, AND ABUSE;

13 (II) THIS WORK CAN BE INTEGRATED INTO THE STATE  
14 DEPARTMENT'S CURRENT MEDICAID OPERATIONS WITHOUT CREATING  
15 ADDITIONAL COSTS TO THE STATE; AND

16 (III) THE REVIEWS OR AUDITS ARE NOT ANTICIPATED TO DELAY OR  
17 IMPROPERLY DENY THE PAYMENT OF LEGITIMATE CLAIMS TO PROVIDERS.

18 (b) PRIOR TO AWARDING ANY CONTRACT PURSUANT TO THIS  
19 SECTION, THE STATE DEPARTMENT SHALL ESTABLISH AN APPEAL PROCESS  
20 FOR PROVIDERS THAT MINIMIZES THE ADMINISTRATIVE BURDEN PLACED  
21 ON PROVIDERS, LIMITS THE NUMBER OF MEDICAL RECORDS REQUESTS, AND  
22 PROVIDES ADEQUATE TIME FOR PROVIDERS TO RESPOND TO INQUIRIES.

23 (5) IT IS THE INTENT OF THE GENERAL ASSEMBLY THAT THE  
24 SAVINGS ACHIEVED THROUGH THIS SECTION MUST MORE THAN COVER THE  
25 COST OF IMPLEMENTATION AND ADMINISTRATION. THEREFORE, TO THE  
26 EXTENT POSSIBLE, TECHNOLOGY SERVICES USED IN CARRYING OUT THIS  
27 SECTION MUST BE SECURED USING THE SAVINGS GENERATED BY THE

1     PROGRAM, WITH THE STATE'S DIRECT COST FUNDED THROUGH THE ACTUAL  
2     SAVINGS ACHIEVED.

3             **SECTION 2. Act subject to petition - effective date.** This act  
4     takes effect at 12:01 a.m. on the day following the expiration of the  
5     ninety-day period after final adjournment of the general assembly (August  
6     7, 2013, if adjournment sine die is on May 8, 2013); except that, if a  
7     referendum petition is filed pursuant to section 1 (3) of article V of the  
8     state constitution against this act or an item, section, or part of this act  
9     within such period, then the act, item, section, or part will not take effect  
10    unless approved by the people at the general election to be held in  
11    November 2014 and, in such case, will take effect on the date of the  
12    official declaration of the vote thereon by the governor.