

BILL ANALYSIS

C.S.H.B. 3204

By: Delisi

State Health Care Expenditures, Select
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Fraud and abuse within the Medicaid system has been estimated to cost as much as fifteen percent of total program expenditures each year. While Texas has been aggressive in policing fraud and abuse, the emergence of modern technology enables the state to be much more effective in its efforts. These same technologies will also reduce errors and administrative costs for both the state and providers. It can also lead to faster payments to service providers

One particularly promising new technology involves the use of electronic benefit transfer (EBT) cards that have been enhanced with biometric smart-card technology. These new generation EBT cards contain a digitally stored version of certain unique physical characteristics from the card-holder, such as a scanned fingerprint. When a card-holder presents their card to a provider for a service, the card is "swiped" by a terminal and the card-holder's finger is scanned. Both the card information and the finger scan information must match for the transaction to continue. As a further safeguard, the service provider submits a card swipe and finger scan at the same time to verify a service was provided. The scans are taken at both the beginning and the end of the treatment session to verify the amount of time spent with the service provider.

The system provides a nearly foolproof method for preventing one of the most common types of fraud, which is the Medicaid program being charged for services that never occurred. This happens when an unscrupulous provider obtains an unsuspecting Medicaid client's billing information and submits invoices for visits, services, etc., the patient didn't receive. The use of a swipe/scan system that requires the physical presence of the recipient makes type of fraud exceedingly difficult.

The promise this new technology holds for reducing fraud indicates it can generate sufficient savings to pay for all startup costs during the first biennium and still have a positive fiscal impact. This type of project is eligible for an enhanced federal cash match of up to 90 percent.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Health and Human Services Commission in SECTION 1 (Section 32.060 (h), Human Resources Code) of this bill.

ANALYSIS

The Health and Human Services Commission (HHSC) will, without cost to the applicant, issue an identification card to every recipient of medical assistance providers participating in the medical assistance program with the appropriate equipment, including point-of-sale equipment, to facilitate payment for medical assistance with an electronic benefits transfer card. The card shall contain, in an encrypted digital format, the fingerprint image of the recipient of medical assistance.

The HHSC shall implement the system in the service delivery area containing Harris County, and the service delivery area containing Dallas County by January 1, 2004, make necessary changes to the system based upon outcomes in the initial service delivery areas, and then implement the revised system in the remainder of the state no later than January 1, 2005.

The department may contract with public and private entities to carry out implementation and operation of the system. The HHSC will seek enhanced federal matching funds, to the extent they are available, to implement the system. The HHSC may adjust the system through rule, if necessary, for the state to become eligible for such funds.

The HHSC will close any EBT account that has not been used by the account holder during the preceding 6 months. The comptroller shall withdraw any unused benefits remaining in the account and disburse the benefits as authorized by federal and state law. The identification card shall be returned to the department when the person to whom it is issued is no longer a recipient of medical assistance from the department.

A private electronic benefits transfer operator with which the department contracts to administer the system, shall establish procedures to maintain records that monitor all debit transactions relating to system client accounts under this section.

EFFECTIVE DATE

This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE