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There Is a Solution for Medicaid Fraud—Innovation

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8/10/2023

In 2020, Medicaid fraud was estimated to be close to $86.5M. It is a staggering figure that burdens taxpayers. And, clearly, more needs to be done to remedy a situation that has fraud so pervasively present in a program that cares for the most vulnerable patients.

The FBI lists several main types of fraud: double billing, submitting multiple claims for the same service; phantom billing, billing for a service visit or supplies that the patient never received; unbundling, submitting multiple bills for the same service, or charging more for a service that is usually part of a package; upcoding, billing for a more expensive service than the patient actually received; and over-billing, charging the government for medically unnecessary drugs, procedures, or drugs.

Medicaid patients are particularly vulnerable to physicians' fraudulent practices, as they have no easy access to their medical records. For example, a doctor might falsify or exaggerate a diagnosis to facilitate over-billing. The patient may be subject to unnecessary or unsafe medical procedures.

He or she is also vulnerable to individuals asking for their insurance identification number and other personal information to bill for non-rendered services. Or their identity may be stolen, and they would find themselves enrolled in a fake benefit plan.

To battle rampant Medicaid fraud, there is a new health-care delivery model that holds great promise: Value-Based Care (VBC). The VBC formula stipulates that doctors be compensated according to the longer-term well-being of their patients. The healthier the patients, the greater the compensation for the doctor. In sum, doctors are encouraged and put in a position to do their very best for the people under their care.

The model, as instituted by the New York Department of Health in 2014, was called Delivery System Incentive Payment Program (DSRIP). It provided for an iron-clad protocol that would make fraudulent practices pretty much impossible. Its success is exemplified by the achievements of SOMOS, a network of 2,500 inner city physicians caring for some 1 million of New York City's most vulnerable Medicaid patients, most of them Hispanics, African Americans, and Asian Americans.

To make the VBC model work, doctors must carefully maintain patients' Electronic Health Records (EHR), which would be periodically sent to the Department of Health for

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assessment. That is when it is determined if the patient population is showing signs of enduring health, which in turn governs the level of compensation for the doctor. Maintaining the EHRs is a job for both doctors and their staff. Fraudulent records would be readily flagged.

Record-keeping also plays a role in Patient-Centered Medical Homes (PCMH). SOMOS staff works with medical practices to turn the practice into a one-stop portal where a patient's entire care history is recorded, allowing the doctor to keep track of which services a patient receives, be they medical, behavioral, or social. The social refers to doctors keeping track of patients' social issues that may impact their health, such as substandard housing, unemployment, and poverty. Again, a careful electronic portrait of the patient is maintained, with both doctor and staff doing the record-keeping. Fraudulent entries would quickly be spotted.

Now, doctors prone to committing fraud would be ill at ease being part of VBC, even though such physicians would see their income increase, a factor that prompts their criminal behavior. Ideally, VBC would make honest men and women of them. However, it is hard to picture a less than ethical doctor in the SOMOS VBC system, which revolves around a close patient-doctor relationship. That bond is created as physicians earn the trust of patients by getting to really know them, their families, and their circumstances. For much of that intimate detail, SOMOS doctors rely on Community Health Workers as their eyes and ears in the community. Given the stature of SOMOS doctors, it is difficult to imagine fraud-prone doctors, with far less than adequate concern for the well-being of their patients, earning such a position of trust.

Above and beyond traditional Medicaid's vulnerability to fraud and waste, there is a relatively poor record in delivering health care to the most vulnerable. Needy patients, people of color among them, often have a difficult time gaining access to the care they need given the labyrinthine network of doctors to whom, on paper, they have access. A famous Oregon study (conducted 2009/2010) found that people with Medicaid coverage showed no significant positive effect on major medical conditions—including hypertension, diabetes, and high cholesterol—compared to people without any coverage.

SOMOS saved US taxpayers $330M by reducing by 25 percent both unnecessary visits to the emergency room and unnecessary and costly hospitalization. That is the fruit of Value-Based Care. It is high time for traditional Medicaid to be dismantled and for VBC to be rolled out system wide. Doctors, patients, and taxpayers stand to benefit greatly.

Mario Paredes is CEO of SOMOS Community Care, a network of 2,500 independent physicians—most of them primary care providers—serving close to a million of New York City's most vulnerable Medicaid patients.