

ASSEMBLY, No. 4062

STATE OF NEW JERSEY

215th LEGISLATURE

INTRODUCED MAY 6, 2013

Sponsored by:

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SYNOPSIS

Establishes Medicaid Smart Card Pilot Program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 11/19/2013)

1 AN ACT establishing the Medicaid Smart Card Pilot Program and
2 supplementing P.L.1968, c.413 (C.30:4D-1 et seq.).

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. As used in this act:

8 “Abuse or fraud” means abuse or fraud as defined in section 3 of
9 P.L.2007, c.58 (C.30:4D-55).

10 “Commissioner” means the Commissioner of Human Services.

11 “Designated recipient” means a recipient who is issued a
12 Medicaid Smart Card.

13 “Division” means the Division of Medical Assistance and Health
14 Services in the Department of Human Services.

15 “Health care facility” means a health care facility licensed
16 pursuant to P.L.1971, c.136 (C.26:2H-1 et seq.).

17 “Health care professional” means a health care professional who
18 is licensed or otherwise authorized to practice a health care
19 profession pursuant to Title 45 or 52 of the Revised Statutes and is
20 currently engaged in that practice.

21 “Medicaid” means the Medicaid program established pursuant to
22 P.L.1968, c.413 (C.30:4D-1 et seq.).

23 “Medicaid Smart Card” means a Medicaid eligibility
24 identification card that contains personal health information about
25 the individual to whom it is issued, and which is distributed to
26 designated recipients for use in the pilot program in lieu of their
27 current Medicaid eligibility identification cards.

28 “Pilot program” means the “Medicaid Smart Card Pilot Program”
29 established pursuant to this act.

30 “Provider” means a health care professional or health care
31 facility providing health care services to a designated recipient.

32 “Recipient” means a recipient of Medicaid benefits.

33 “Transaction” means each occasion on which a designated
34 recipient presents at a provider’s premises for the receipt of health
35 care services from that provider.

36
37 2. a. The Commissioner of Human Services shall establish a
38 pilot program, to be known as the “Medicaid Smart Card Pilot
39 Program,” in the Division of Medical Assistance and Health
40 Services of the Department of Human Services.

41 (1) The objective of the pilot program shall be to reduce the
42 total amount of Medicaid expenditures, by reducing the average
43 cost per designated recipient, relative to what would be expended in
44 the absence of the pilot program. The pilot program shall be
45 designed to reduce the average monthly cost to Medicaid for
46 recipients within the pilot program area by an amount that is at least
47 sufficient to recover the cost of implementing the pilot program.

1 (2) The commissioner shall determine the geographic area to be
2 included in the pilot program and may contract with an independent
3 entity as the commissioner determines appropriate for the purpose
4 of developing and implementing the pilot program.

5 b. The pilot program shall include the following activities, at a
6 minimum:

7 (1) enrollment of designated recipients as pilot program
8 participants;

9 (2) distribution of Medicaid Smart Cards to those recipients;

10 (3) authentication of designated recipients at the point of
11 transaction, at the onset and completion of each transaction, in order
12 to prevent card sharing and other forms of abuse or fraud;

13 (4) denial of ineligible persons at the point of transaction;

14 (5) authentication of providers at the point of transaction to
15 prevent phantom billing and other forms of abuse or fraud; and

16 (6) any efforts necessary to secure and protect the personal
17 identity and information of designated recipients.

18 c. The commissioner shall develop such policies and procedures
19 as necessary concerning the distribution and activation of Medicaid
20 Smart Cards for designated recipients and the handling of lost,
21 stolen, or otherwise unavailable Medicaid Smart Cards.

22 d. The pilot program may include the use of any of the
23 following:

24 (1) a secure Internet-based information system for recording and
25 reporting authenticated transactions;

26 (2) a secure Internet-based information system that interfaces
27 with the appropriate State databases to determine the eligibility of
28 designated recipients;

29 (3) a system that gathers analytical information to be provided
30 to data-mining companies in order to assist in data-mining
31 processes;

32 (4) a Medicaid Smart Card with the ability to store multiple
33 recipients' information on one card;

34 (5) procedures that do not require pre-enrollment of designated
35 recipients; and

36 (6) an image of the designated recipient stored on both the
37 Medicaid Smart Card and the database with which it is matched.

38 e. In implementing the pilot program, the division may do any
39 of the following:

40 (1) incorporate additional or alternative methods of
41 authentication of designated recipients;

42 (2) enter and store billing codes, deductible amounts, and bill
43 confirmations;

44 (3) allow electronic prescribing services and prescription
45 database integration and tracking in order to prevent medical error
46 through information sharing and to reduce prescription drug abuse
47 and lower health care costs;

1 (4) implement quick-pay incentives for a provider when an
2 electronic prescribing service, electronic health record, electronic
3 patient record, or computerized patient record used by the provider
4 automatically synchronizes with a designated recipient's Medicaid
5 Smart Card and the provider electronically submits a claim; and

6 (5) allow elements of the pilot program, including, but not
7 limited to, Medicaid Smart Cards, fingerprint scanners, and card
8 readers, to be adapted for use by other State programs administered
9 by the Department of Human Services in order to reduce costs
10 associated with the use of multiple electronic benefit cards by a
11 recipient.

12 f. The division shall collaborate with the New Jersey Motor
13 Vehicle Commission to ensure that driver's license photographic
14 and other identification data are utilized to reduce the cost of
15 implementing the pilot program to the maximum extent practicable.

16 g. The commissioner shall apply for such State plan amendments
17 or waivers as may be necessary to implement the provisions of this act
18 and to secure such federal financial participation through the federal
19 Medicaid program as may be available for State expenditures made
20 under this act.

21
22 3. a. In order to evaluate the average monthly cost of recipients
23 within the pilot program and develop the strategy necessary to
24 achieve the highest rate of savings to Medicaid, the division shall
25 obtain and analyze four sample sets of data for the pilot program, as
26 follows:

27 (1) The division shall collect claims data for an initial sample
28 set, which shall include all claims for recipients within the pilot
29 program area and the average Medicaid cost per recipient by
30 provider type and county from at least the prior fiscal year for a
31 specified time period for the geographic area covered by the pilot
32 program.

33 (2) In order to evaluate increases or decreases in the cost of
34 health care services provided to recipients, the division shall collect
35 a second sample set of claims data adjusted to the base figures in
36 the first sample set. The second sample set shall represent a rural
37 area and an urban area not participating in the pilot program, with
38 demographic characteristics that are as close as practicable to the
39 recipient population in the geographic area covered by the pilot
40 program, including specific data relating to sex, age, race, and
41 ethnicity, county similarities, number of providers, and the average
42 Medicaid cost per recipient. This sample set shall be analyzed
43 against data for the prior fiscal year and compared to data for the
44 current fiscal year for the same time frame and geographic area to
45 determine an increase or decrease in the cost of these health care
46 services. The increase or decrease in cost per recipient from this
47 sample set shall be factored into the data set determined pursuant to

1 paragraph (1) of this subsection to derive an adjusted base figure or
2 average cost per recipient per month.

3 (3) The division shall collect and analyze a third sample set of
4 claims data for recipients and the average cost per recipient on a
5 monthly basis during the pilot program by provider type. A
6 comparison of the adjusted base data arrived at by the prior sample
7 set with the actual data from the third sample set shall be made to
8 determine the amount of Medicaid savings by provider type, while
9 adjusting for claims derived outside the geographic area of the pilot
10 program that may reflect designated recipients receiving health care
11 services outside the geographic area of the pilot program in order to
12 avoid abuse or fraud detection.

13 (4) The division shall obtain a fourth sample set of data by
14 surveying a sample that comprises two percent of recipients in the
15 pilot program area, prior to the start of the pilot program, to collect
16 data about the health care services received, the frequency of those
17 services, and recipient satisfaction with services used, and then
18 repeating the survey at the completion of the pilot program in order
19 to ascertain recipient satisfaction with the pilot program.

20 b. The commissioner shall report to the Governor, and to the
21 Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1),
22 no later than one year after the effective date of this act, on the
23 results of the pilot program with regard to achieving its objective
24 pursuant to paragraph (1) of subsection a. of section 3 of this act,
25 and including the commissioner's findings and recommendations
26 concerning whether to extend the pilot program or expand it to
27 encompass more recipients. The commissioner shall not extend the
28 pilot program unless the commissioner has determined that the pilot
29 program has achieved its objective and shall not expand the pilot
30 program unless the data obtained by the division, pursuant to
31 subsection a. of this section, indicate that the pilot program can be
32 expanded through savings to Medicaid achieved by the pilot
33 program.

34

35 4. a. The provisions of this act shall not be construed as
36 affecting any person's obligation to comply with the requirements
37 of federal and State law and regulations concerning the privacy of
38 personal health information.

39 b. The commissioner, the Department of Human Services, and
40 any employee thereof, if acting in good faith, shall not be held
41 responsible for any action of any contractor or subcontractor in the
42 event that the contractor or subcontractor is found to have violated
43 any federal or State law or regulation concerning the privacy of
44 personal health information.

45

46 5. If the division has reason to believe that abuse or fraud has
47 been perpetrated in connection with the pilot program, the division

1 shall refer any such matter to the Office of the State Comptroller
2 pursuant to P.L.2010, c.33 (C.52:15C-20 et seq.).

3
4 6. The commissioner, pursuant to the "Administrative Procedure
5 Act," P.L.1968, c.410 (C.52:14B-1 et seq.), shall adopt rules and
6 regulations necessary to effectuate the purposes of this act.

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8 7. This act shall take effect on the first day of the fourth month
9 next following the date of enactment, but the commissioner may
10 take such anticipatory administrative action in advance thereof as
11 shall be necessary for the implementation of this act.

12
13
14 STATEMENT

15
16 This bill establishes the Medicaid Smart Card Pilot Program in
17 the Division of Medical Assistance and Health Services (DMAHS)
18 of the Department of Human Services

19 The objective of the pilot program is to reduce the total amount
20 of Medicaid expenditures, by reducing the average cost per
21 designated recipient, relative to what would be expended in the
22 absence of the pilot program. The pilot program will be designed to
23 reduce the average monthly cost to Medicaid for recipients within
24 the pilot program area by an amount that is at least sufficient to
25 recover the cost of implementing the pilot program.

26 The Commissioner of Human Services will determine the
27 geographic area to be included in the pilot program and may
28 contract with an independent entity as the commissioner determines
29 appropriate for the purpose of developing and implementing the
30 pilot program.

31 The pilot program is to include the following activities, at a
32 minimum:

33 (1) enrollment of designated recipients as pilot program
34 participants;

35 (2) distribution of Medicaid Smart Cards to those recipients, to
36 be used by them in lieu of their current Medicaid eligibility
37 identification cards;

38 (3) authentication of designated recipients at the point of
39 transaction, at the onset and completion of each transaction, in order
40 to prevent card sharing and other forms of abuse or fraud;

41 (4) denial of ineligible persons at the point of transaction;

42 (5) authentication of providers at the point of transaction to
43 prevent phantom billing and other forms of abuse or fraud; and

44 (6) any efforts necessary to secure and protect the personal
45 identity and information of designated recipients.

46 The commissioner is to apply for such State plan amendments or
47 waivers as may be necessary to implement the provisions of the bill

1 and to secure such federal Medicaid funding as may be available for
2 State expenditures made under the bill.

3 In order to evaluate the average monthly cost of recipients within
4 the pilot program and develop the strategy necessary to achieve the
5 highest rate of savings to Medicaid, DMAHS is to analyze four
6 sample sets of claims and recipient data for the pilot program.

7 The commissioner is further directed to report to the Governor
8 and the Legislature, no later than one year after the effective date of
9 the bill, on the results of the pilot program with regard to achieving
10 its objective, and including the commissioner's findings and
11 recommendations concerning whether to extend the pilot program
12 or expand it to encompass more recipients. The commissioner is
13 not to extend the pilot program unless the commissioner has
14 determined that the pilot program has achieved its objective and is
15 not to expand the pilot program unless the data obtained by the
16 division pursuant to the bill indicate that the pilot program can be
17 expanded through savings to Medicaid achieved by the pilot
18 program.

19 The bill takes effect on the first day of the fourth month
20 following enactment, but authorizes the commissioner to take prior
21 administrative action as necessary for its implementation.