

SENATE, No. 1250

STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED FEBRUARY 25, 2014

Sponsored by:

Senator FRED H. MADDEN, JR.

District 4 (Camden and Gloucester)

Senator JAMES BEACH

District 6 (Burlington and Camden)

SYNOPSIS

Establishes Medicaid Smart Card Pilot Program.

CURRENT VERSION OF TEXT

As introduced.



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 improper billing practices and other forms of abuse or
16 fraud; and

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

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

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

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

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

30 (3) a system that gathers analytical information to be provided
31 to data-mining companies in order to assist in data-mining
32 processes for the purpose of facilitating compliance with the
33 evaluation and reporting requirements in section 3 of P.L. , ,
34 c. (C.) (pending before the Legislature as this bill);

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

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

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

41 e. In implementing the pilot program, the division may do any
42 of the following:

43 (1) incorporate additional or alternative methods of
44 authentication of designated recipients;

45 (2) enter and store billing codes, deductible amounts, and bill
46 confirmations;

47 (3) allow electronic prescribing services and prescription
48 database integration and tracking in order to prevent medical error

1 through information sharing and to reduce prescription drug abuse
2 and lower health care costs;

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

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

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

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

23

24 3. a. The division shall evaluate the pilot program annually to:

25 (1) assess the impact of the pilot program on the average
26 monthly Medicaid cost per recipient, including an assessment of
27 how the Medicaid costs per recipient in geographic areas
28 participating in the pilot program compare to the Medicaid costs per
29 recipient in geographic areas not participating in the pilot program;

30 (2) distinguish the impact of the pilot program from other
31 demographic, geographic, and health care factors that may affect
32 the average monthly Medicaid costs per recipient;

33 (3) quantify the Medicaid savings attributable to the pilot
34 program and identify those strategies necessary to achieve the
35 highest rate of Medicaid savings from the pilot program;

36 (4) assess variations in the impact of the pilot program on the
37 average monthly Medicaid cost per recipient and the Medicaid
38 savings thereby generated, by provider type, by county, and by
39 other geographic, demographic, or health care characteristics as
40 identified by the division;

41 (5) assess the extent to which designated recipients receive
42 health care services outside of the geographic area of the pilot
43 program in order to avoid abuse or fraud detection; and

44 (6) survey a representative sample of recipients in the
45 geographic area of the pilot program, prior to the start of the pilot
46 program and at least annually thereafter, to collect data about health
47 care services received, the frequency of those services, recipient

1 satisfaction with services used, and recipient satisfaction with the
2 pilot program.

3 The division may collect any additional data necessary to
4 evaluate the scope, effectiveness, and impact of the pilot program
5 including, but not limited to: Medicaid claims data; other health
6 care data; demographic data; and geographic data.

7 b. The commissioner shall report to the Governor, and to the
8 Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1),
9 no later than one year after the effective date of this act, and
10 annually thereafter for such time as the pilot program remains in
11 effect, on the results of the pilot program with regard to achieving
12 its objective and the results of the annual evaluation conducted
13 pursuant to subsection a. of this section. The report may include
14 recommendations for appropriate legislative or administrative
15 action necessary to further the purposes of this act.

16 c. The commissioner shall not extend the pilot program unless
17 the commissioner has determined that the pilot program has
18 achieved its objective and shall not expand the pilot program unless
19 the annual evaluation conducted pursuant to subsection a. of this
20 section indicates that the pilot program can be expanded through
21 savings to Medicaid achieved by the pilot program. The
22 commissioner's recommendations concerning whether to extend the
23 pilot program or to expand the pilot program to encompass more
24 recipients shall be included in the commissioner's second annual
25 report pursuant to subsection b. of this section. The pilot program
26 shall terminate two years after the effective date of this act unless
27 extended by the commissioner.

28

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

33 b. The commissioner, the Department of Human Services, and
34 any employee thereof, if acting in good faith, shall not be held
35 responsible for any action of any contractor or subcontractor in the
36 event that the contractor or subcontractor is found to have violated
37 any federal or State law or regulation concerning the privacy of
38 personal health information.

39

40 5. If the division has reason to believe that abuse or fraud has
41 been perpetrated in connection with the pilot program, the division
42 shall refer any such matter to the Office of the State Comptroller
43 pursuant to P.L.2010, c.33 (C.52:15C-20 et seq.).

44

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

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

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6
7 STATEMENT
8

9 This bill establishes the Medicaid Smart Card Pilot Program in
10 the Division of Medical Assistance and Health Services (DMAHS)
11 of the Department of Human Services.

12 The objective of the pilot program is to reduce the total amount
13 of Medicaid expenditures, by reducing the average cost per
14 designated Medicaid recipient participating in the pilot program,
15 relative to what would be expended in the absence of the pilot
16 program. The pilot program would achieve these reductions
17 through activities intended to reduce waste, fraud, and abuse. The
18 pilot program will be designed to reduce the average monthly cost
19 to the State Medicaid program for recipients within the pilot
20 program area by an amount that is at least sufficient to recover the
21 cost of implementing the pilot program.

22 The Commissioner of Human Services will determine the
23 geographic area to be included in the pilot program and may
24 contract with an independent entity, as the commissioner
25 determines appropriate, for the purpose of developing and
26 implementing the pilot program.

27 The pilot program is to include the following activities, at a
28 minimum:

- 29 (1) enrollment of designated recipients as program participants;
30 (2) distribution of Medicaid Smart Cards to those recipients, to
31 be used by them in lieu of their current Medicaid eligibility
32 identification cards;
33 (3) authentication of designated recipients at the point of
34 transaction, at the onset and completion of each transaction, in order
35 to prevent card sharing and other forms of abuse or fraud;
36 (4) denial of ineligible persons at the point of transaction;
37 (5) authentication of providers at the point of transaction to
38 prevent improper billing practices and other forms of abuse or
39 fraud; and
40 (6) any efforts necessary to secure and protect the personal
41 identity and information of designated recipients.

42 The commissioner is to apply for such Medicaid State plan
43 amendments or waivers as may be necessary to implement the
44 provisions of the bill and to secure such federal Medicaid funding
45 as may be available for State expenditures made under the bill.

46 DMAHS is to perform an annual evaluation to assess the impact
47 of the pilot program. The evaluation will assess: the average
48 monthly Medicaid costs of recipients in the pilot program and the

1 Medicaid savings attributable to the program, including variations
2 in such costs and savings by provider type, by county, and by other
3 characteristics identified by the division; the strategies necessary
4 for the pilot program to achieve the highest rate of savings to the
5 State Medicaid program; trends in the use of health care services by
6 participating Medicaid recipients; and recipient satisfaction with the
7 program.

8 The commissioner would report to the Governor and the
9 Legislature, no later than one year after the effective date of the bill
10 and annually thereafter for such time as the program remains in
11 effect, on the results of the pilot program with regard to achieving
12 its objective and the results of the annual evaluation. The report
13 may include recommendations for appropriate legislative or
14 administrative action necessary to further the purposes of the bill.

15 The commissioner is not to extend the pilot program unless the
16 commissioner determines that it has achieved its objective and is
17 not to expand the pilot program unless the annual evaluation
18 indicates that it can be expanded through savings to Medicaid
19 achieved by the pilot program. The commissioner's findings and
20 recommendations concerning whether to extend the pilot program
21 or expand it to encompass more recipients would be included in the
22 commissioner's second annual report. The pilot program will
23 terminate two years after the effective date of the bill unless
24 extended by the commissioner.

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

28 The bill clarifies and revises certain requirements pertaining to
29 the objectives, data collection, and methodology of the pilot
30 program's annual evaluation and remove certain requirements
31 regarding the specific data and methodologies to be used. The bill
32 also authorize DMAHS to collect any additional data necessary to
33 evaluate the scope, effectiveness, and impact of the pilot program.

34 In addition, the bill revises the reporting requirement to require
35 that the commissioner file an annual report for such time as the
36 program remains in effect concerning the results of the pilot
37 program and the results of the annual evaluation. The report may
38 include the commissioner's recommendations for appropriate
39 legislative or administrative action necessary to further the purposes
40 of the bill.

41 The bill also clarifies that the program terminates two years after
42 the effective date of the bill unless extended by the commissioner.
43 The bill provides that the commissioner's recommendations
44 regarding extension and expansion of the program would be
45 included in the commissioner's second annual report.

46 Finally, the bill revises the provision permitting use of a system
47 that gathers analytical information to be provided to data-mining
48 companies to specify that any data-mining processes are to be

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- 1 conducted for the purpose of facilitating compliance by DMAHS
- 2 with the evaluation and reporting requirements of the bill.