

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

ACTION REFERRAL

TO	DATE
Wells	7/3/06

DIRECTOR'S USE ONLY		ACTION REQUESTED	
1. LOG NUMBER	000002	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____	
2. DATE SIGNED BY DIRECTOR	_____	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE 7/13/06	
cc: Kerr Singleton Davis		<input type="checkbox"/> FOIA DATE DUE _____	
		<input type="checkbox"/> Necessary Action	

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1. Cleared 7/10/06, no reply needed per William Wells,			
2. See attached note			
3.			
4.			

**DIGITAL HEALTHCARE, INC.**  
*Enhanced Electronic Commerce*

25 June 2006

Mr. Robert M. Kerr  
Director

Department of Health & Human Services  
PO Box 8206  
Columbia, SC 29202-8206

**RECEIVED**

JUL 03 2006

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Dear Director Kerr:

I am writing to advise you of an ongoing audit on behalf of the Medicaid programs of Arkansas and Kansas that may impact your program.

These states have contracted with my firm (Digital Healthcare, Inc.) to audit their 2005 claims. Eight other states have similar contracts in pendency.

There are two objectives to this audit:

1. To identify the claims paid by Medicaid that were, in fact, otherwise covered by third-party insurance, and
2. To establish a baseline to validate the performance of the existing TPL company.

Some of the pending states, knowing as we all do that automation of a pre-emptive test on this issue would reduce the cost of delivering Medicaid care, have asked to segue promptly from auditing to online pre-emption.

Digital Healthcare was selected to perform this audit due to our proprietary technology, intellectual property, and trade relations that put us years ahead of other potential vendors in this small niche.

Prior to these contracts, we audited 1,575,000 Medicaid claims covering 6 states. We found that 20.4% to 35.4% of the paid claims were, in fact, covered by third party insurance. This is consistent with the findings by the State of California that "20% of the Medicaid claims are covered by insurance or Medicare", and other similar results around the country by other members of your profession.

Based upon filings made by Medicaid to the Federal government via CMS Form 64 for 2001-2003, your program recovers less than 1% of the paid claims. Here is a short comparison of your recovery to that of other states:

	2001	2002	2003
Average CMS 65	<.5%	<.5%	<.5%
California CPR	20.0%	20.0%	20.0%
State 1 per DHI	22.5%	24.3%	25.5%

PO Box 25275  
Cleveland, OH 44125  
Phone: 216-520-1005 FAX: 216-447-3479  
rgodoy@dhinc.biz

Medicaid should not pay any claim that is otherwise covered by insurance. Accordingly, identification of covered claims prior to payment can result in significant savings for the state.

At rates of 20-35%, this proprietary process could greatly aid the states that use it in their budget process. This process is wholly consistent with HIPAA and the intent of Congress in passing the Act, as well as with 42 CFR 433.

The proposed technology change is popular with leading hospitals and Chambers of Commerce. Unlike the current methods, this process radically reduces the frequency of False Claims filed by providers and Medicaid fiscal agents and HMOs.

As part of our audit, we will also be "testing" the claims against the enrollee status of other Medicaid programs, including yours.

To do this, we need either

- 1) to confirm the "IP address" to which our electronic inquiries should be transmitted. We would appreciate your forwarding this letter to the appropriate person on your staff and request that s/he contact us directly at the address points noted below; or
- 2) to include your program in this audit process. As part of our commitment to Arkansas and Kansas, we are obligated to perform a free audit of 2005 Medicaid claims for any state program that would like this evaluation. Our audit will cover the period January 2005 – June 2006.

Apart from reducing the overhead of HIPAA compliance, participation has the added upside of documenting the fiscal opportunity, a subject likely to be important to your Assembly, Executive branch, press, and taxpayers.

We welcome the opportunity to discuss our audit process with you in more detail. To do that, contact me at the phone number below.

Finally, on behalf of the States of Arkansas and Kansas, please accept my thanks for your cooperation.

Sincerely,



Richard Godoy  
President

PO Box 25275  
Cleveland, OH 44125  
Phone: 216-520-1005 FAX: 216-447-3479  
rgodoy@dhinc.biz



# Arkansas Department of Health and Human Services

## Division of Medical Services Systems and Support



P.O. Box 1437, Slot S416 Little Rock, AR 72203-1437 • 501-682-8395 • 501-682-3889 • TDD: 501-682-6789

### NOTICE OF AUDIT OF MEDICAID CLAIMS

May 31, 2006

The Arkansas Department of Health and Human Services ("ADHHS") has contracted with Digital Healthcare, Inc. ("Digital Healthcare") to conduct on behalf of ADHHS an audit of all Medicaid claims processed by ADHHS during the period October 1, 2005 through October 31, 2005 (the "Audit Period").

The purpose of the audit is to confirm practices and procedures related to Medicaid claim disbursement.

Medicaid is a critically important program and represents a significant expense to the citizens of Arkansas. Accordingly, it is important to ADHHS that it obtain accurate facts concerning audited claims. Your role in helping to insure that ADHHS has complete information is important and your cooperation is critical.

As part of the audit process, Digital Healthcare will be transmitting certain information to health insurance companies, plan sponsors and third-party administrators who administer plans on behalf of such companies (collectively "the Payers"). This communication will occur electronically as provided in HIPAA Sections 1171 through 1176. If requested, an alternative mode of communication may occur.

In order to expedite the audit process, Digital Healthcare has established a secure website to facilitate HIPAA communication. Payers can access this website at <http://registration.digitalhealthcare.us>

Digital Healthcare encloses with this notice a username, PIN, and password to enable your access to that site. You will then have the opportunity to set a username and password of your own. Payers may also contact Digital Healthcare directly at 877-340-3666.

All payers are requested to register on or prior to July 7, 2006. The audit is currently scheduled to commence on or about July 15, 2006.

Digital Healthcare has been instructed as part of its audit report to identify to ADHHS any Payers who decline to participate in the audit or who have declined to self register.

Your participation in this audit is critical and ADHHS thanks you in advance for your cooperation and assistance.

Yours,

A handwritten signature in black ink, appearing to read "Randy Helms".

Randy Helms  
Interim Assistant Director/Chief Fiscal Officer



## NOTICE OF AUDIT OF MEDICAID CLAIMS

June 01, 2006

The Kansas Health Policy Authority ("KHPA") has contracted with Digital Healthcare, Inc. ("Digital Healthcare") to conduct on behalf of KHPA an audit of all Medicaid claims processed by KHPA during the period July 1, 2004 through June 30, 2005 (the "Audit Period").

The purpose of the audit is to confirm practices and procedures related to Medicaid claim disbursement.

Medicaid is a critically important program and represents a significant expense to the citizens of Kansas. Accordingly, it is important to KHPA that it obtain accurate facts concerning audited claims. Your role in helping to insure that KHPA has complete information is important and your cooperation is critical.

As part of the audit process, Digital Healthcare will be transmitting certain information to health insurance companies, plan sponsors and third-party administrators who administer plans on behalf of such companies (collectively "the Payors"). This communication will occur electronically as provided in HIPAA Sections 1171 through 1176. If requested, an alternative mode of communication may occur.

In order to expedite the audit process, Digital Healthcare has established a secure website to facilitate HIPAA communication. Payors can access this website at <http://registration.digitalhealthcare.us>

Digital Healthcare encloses with this notice a username, PIN, and password to enable your access to that site. You will then have the opportunity to set a username and password of your own. Payors may also contact Digital Healthcare directly at 877-340-3666.

All payors are requested to register on or prior to July 07, 2006. The audit is currently scheduled to commence on or about July 15, 2006.

Digital Healthcare has been instructed as part of its audit report to identify to KHPA any Payors who have failed or declined to self register or otherwise participate in this process.

Your participation in this audit is critical and KHPA thanks you in advance for your cooperation and assistance.

Yours,

Christiane Swartz  
Administrator

Rice  
FBI

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

Wells

ACTION REFERRA

No R-Objy needed. *W*

TO

DATE

Wells/Schaefer

7/3

DIRECTOR'S USE ONLY

1. LOG NUMBER

000002

2. DATE SIGNED BY DIRECTOR

cc: Kerr  
Singleton  
Davis

Page - This  
log can be cleared  
as No Response  
Needed per email  
from Elaine Elmore  
to Susan discussed  
in Deps meeting  
this morning. *W*

for appropriate signature

E DUE 7/13/06

Susan's  
Comments - through  
the  
log

E DUE \_\_\_\_\_  
on \_\_\_\_\_

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1. Rinky Dink company, website has no specifics & talks in generalities	<i>Wells</i>		
2.	<i>Wells</i>		
3.	<i>Wells</i>		
4.			

*Wells*  
*7/10/06*  
*Discussed in*  
*Director's*  
*Meeting*