

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO <i>Singleton</i>	DATE <i>5-22-09</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>101955</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>Ms. Forner</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>6-2-09</i>
<i>Cleared w/2/09, letter attached.</i>	<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.			
2.			
3.			
4.			

From: William Wells
To: Jan Polatty
Date: 5/22/2009 2:40 PM
Subject: Re: Fwd: Plan to reduce healthcare costs

Looks like a program integrity type of thing, which may duplicate systems we already have in PI. I suggest referring this to Kathy Snider thru Deirdra as a log letter (since its addressed to Emma) to review and respond to this guy appropriately. Then if the guy calls again you can say it was referred to our PI department for review and he should contact Kathy. Pretty diabolical huh?

*Please log to Snider
"appropriate" e: etc
m!*

>>> Jan Polatty 5/22/2009 2:12 PM >>>
Willie - would you take a look at this - Mr. Wigney called following up to try and meet with Emma. (Sounds like another rent-a-crowd to me!) Just let me know as I need to respond back to him. Thanks! Jan

Jan Polatty
Director's Office
SCDHHS
1801 Main Street
Columbia, SC 29201
803-898-2504

>>> "Jim Wigney" <jim.wigney@hasnet.us> 5/22/2009 1:33 PM >>>
May 22, 2009 (replacement of letter faxed to you May 12, 2009)

Ms. Emma Forkner
Director
Department of Health & Human Services
P.O. Box 8206
1801 Main Street
Columbia, SC 29201-8206

Subject: Plan to reduce healthcare costs

Dear Ms. Forkner,

I am writing to ask you to read about a service that will empower South Carolina to reduce its healthcare costs 8% to 20%. The service will enable South Carolina Medicaid to prevent unnecessary costs before they happen. It is a tool healthcare stakeholders will use to reduce costs and increase value. Public and private healthcare purchasers, like South Carolina Medicaid, will own the service. We are giving our intellectual property to the organizations and individuals who help us launch the service. South Carolina can play an important role in its launch. We ask you 1) to examine our Confidential Briefing Document and 2) for the opportunity to prove our claims are true. This is the first time anything like this has ever been done. The briefing document explains how the service works and how South Carolina will benefit from this service that will serve all healthcare stakeholders.

The AMA, AHA, AHIP, AMTA, PHRMA, and SEIU pledge to cut healthcare cost growth rates 1.5% a year means that next year's health care costs-instead of

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Department of Health & Human Services
OFFICE OF THE DIRECTOR

being 106% of this year's costs--would be 104.5%. With our service, the cost would be 98.6% or less.

South Carolina Medicaid and other healthcare purchasers need to demand and receive greater value for their healthcare dollars. Because purchasers ultimately pay all healthcare costs and providers, patients, and payers control those costs, it is in all healthcare purchasers' best interests to empower providers, patients, and payers to reduce costs for themselves and for purchasers. Our service does this.

Because collaboration and widespread use reduce costs, we will collaborate with 10 or more public and private entities that collectively spend over \$50 billion a year on health care. Five states control over \$130 billion of Medicaid spending (see table below). We expect Medicaid and Medicare to become customers and shareholders of the service, because it will save them 8% to 20% of the approximately \$900 billion a year they spend on health care. The collective service fees for Medicaid and Medicare would be \$9 billion a year, and for this, we expect them to save \$72 billion to \$180 billion a year--\$240 to \$600 a year for every man, woman, and child in America. For the 4.5 million people in South Carolina, this savings is \$1.1 billion to \$2.7 billion a year.

2007 Population (in mill.)

2007 Medicaid \$ (in bill.)

Medicaid \$ per capita

New York

19.3

\$ 44.3

\$ 2,280

California

36.5

\$ 35.9

\$ 984

Texas

23.9

\$ 20.6

\$ 862

Pennsylvania

12.4
\$ 15.9
\$ 1,282

Florida
18.2

\$ 13.6
\$ 747

Totals
110.6
\$ 130.3
\$ 1,178

% of United States

36.6%
40.8%
NA

United States
301.6
\$ 319.6
\$ 1,060

U.S. Census Bureau <http://quickfacts.census.gov/qfd/states/> * Kaiser Family Foundation www.statehealthfacts.org <<http://www.statehealthfacts.org/>>

Briefly, Healthcare Authorization Systems (HAS) is a service that will empower healthcare purchasers to protect their people and resources and reduce their costs for the same level of care. HAS will 1) verify and deliver facts; 2) prevent medical identity theft and healthcare fraud nationwide-before losses occur; 3) improve healthcare value, service, security, and safety; 4) complement health IT; 5) operate in all healthcare settings; 6) support all healthcare reform solutions; 7) enable billions of healthcare dollars wasted every year to be saved and used more effectively; and 8) make every customer a shareholder.

*Fraud in U.S. health care in 2007 cost \$66 billion to \$220 billion, according to the National Health Care Anti-Fraud Association. In http://www.hasnet.us/uploads/PWC_The_Price_of_Excess_Exec_Sum_Exhibit3.pdf , 'The Price of Excess,' researchers defined healthcare waste as "costs that could have been avoided without a negative impact on quality" and estimated the cost of healthcare waste in 2007 at \$74.1 billion to \$1.2 trillion (33% to 54%) of the \$2.2 trillion spent.

HAS will enable payers, before they pay each claim, to inexpensively verify relevant facts about every healthcare service claimed and to pay claims quickly and safely. Healthcare fraud and abuse are crucial nationwide problems that no one is solving. Without proper safeguards, implementing electronic health records and automated claim processing may lose more money than it will save.

*"Without proactive fraud management, whatever the problem is will be much greater in an electronic environment." Donald
<http://www.hasnet.us/uploads/2008-07-25_Tackle_Fraud_Issue_Now_IT_Leaders_Advise.pdf> Simborg, MD, Office of the National Coordinator for Health Information Technology (ONC) Anti-Fraud Project Executive Team Chairman,
"What I didn't expect was that [the ONC] would totally drop fraud management from its plan," and "What I can't understand is why we don't try to solve this problem."

HAS will 1) make it safe to use automated claim processing nationwide, which the AMA reports can save \$90 billion a year; 2) reduce costs for healthcare purchasers (the service's customers, who will automatically be shareholders); and 3) reduce costs for providers, patients, and payers (users, for which the HAS equipment and service will be free).

Founding customers, founding investors, and individuals and organizations that attract resources or make other key contributions to HAS will be founders. Founders, investors, and customers will own HAS. Founders will select the HAS management team, determine returns on service fees and investment, and allocate HAS equity.

To serve the interests of all shareholders and stakeholders, HAS will balance creating value, keeping HAS service fees low, and keeping HAS financially strong. HAS company value-based on only Medicare and Medicaid service fees-is estimated at between \$3.6 billion and \$42.6 billion (see the Company Valuation Estimate in our Confidential Briefing Document). Business from private sector customers could double these figures.

*"This [HAS] is a great idea. Something like this should have been done ten years ago," said healthcare fraud expert and retired FBI agent, Jim Wedick, [fraudspecialists.com](http://www.fraudspecialists.com) <<http://www.fraudspecialists.com/>> , after reading the HAS Confidential Briefing Document.

Proposal to South Carolina Medicaid

As a healthcare purchaser, South Carolina Medicaid could be an HAS customer, user, and founder.

Customer-Automatic Shareholder -- Commitments to become an HAS customer are conditional in that they require HAS to prove its value in every step and to successfully demonstrate the HAS prototype. For a service fee of 1% of healthcare costs, HAS will enable South Carolina Medicaid to save 8% to 20% a year on its healthcare costs. Service fees begin when HAS is ready to be

put into service. We expect HAS to save South Carolina \$328 million to \$820 million a year of the \$4.1 billion that it spends on Medicaid.

User -- HAS will create a reliable record of each healthcare service and for whom, by whom, and on whose order it was performed. Each claim will be linked to this record. HAS will send alerts about high-risk situations to claims administrators. All services are free to users and include voluntary financial motivators that ensure rapid and widespread adoption and use of HAS services.

Founder-Major Shareholder -- HAS will engage 10 or more founding customers and founding investors who will become major HAS shareholders. HAS is designed to 1) protect every customer's people and resources; 2) empower healthcare purchasers, providers, patients, and payers to reduce their costs; 3) eliminate unnecessary costs in health care; and 4) automatically make every customer a shareholder. Founders will ensure that HAS performs as promised. Founding customers, founding investors, and other investors will receive equity in HAS. A person who recruits founders would be an HAS key contributor.

HAS customers and key contributors will receive equity in HAS at no cost.

To consider becoming an HAS customer, key contributor, and/or founder, we ask South Carolina Medicaid to:

- 1) Read our 2-page HAS Executive http://www.hasnet.us/uploads/HAS_Executive_Summary_2009-04c.pdf Summary at hasnet.us <http://www.hasnet.us/> and read our 20-page HAS Confidential Briefing Document
- 2) Provide input to ensure we serve South Carolina Medicaid properly
- 3) Allow us to answer your questions
- 4) Approve the HAS plan

After approving the HAS plan, we propose South Carolina Medicaid receive equity in HAS as an HAS customer, key contributor, founding customer, and/or founding investor (1st position founding customer and/or founding investor = 2.5% or 5.0% equity, 2nd - 4th = 0.833% or 1.666% each, 5th - 10th = 0.4167% or 0.833% each, 11th - 20th = 0.25% or 0.5% each). Details are in the HAS Confidential Briefing Document.

Please contact me at (916) 760-4477 or jim.wigney@hasnet.us and I will send you our 20-page HAS Confidential Briefing Document.

Sincerely,

Jim Wigney, Founder

Healthcare Authorization Systems (HAS)

protect people & resources ~ verify & deliver facts

2443 Fair Oaks Blvd. #322 - Sacramento, CA 95825

Phone and fax (916) 760-4477 - jim.wigney@hasnet.us -
<<http://www.hasnet.us/>> www.hasnet.us

May 22, 2009 (replacement of letter faxed to you May 12, 2009)

Ms. Emma Forkner
Director
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% of United States	36.6%	40.8%	NA
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U.S. Census Bureau <http://quickfacts.census.gov/qfd/states/> ■ Kaiser Family Foundation www.statehealthfacts.org

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- **Fraud in U.S. health care in 2007 cost \$66 billion to \$220 billion**, according to the National Health Care Anti-Fraud Association. In PricewaterhouseCoopers' *The Price of Excess*, researchers defined healthcare waste as "costs that could have been avoided without a negative impact on quality" and **estimated the cost of healthcare waste in 2007 at \$741 billion to \$1.2 trillion (33% to 54%) of the \$2.2 trillion spent.**

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- **"Without proactive fraud management whatever the problem is will be much greater in an electronic environment."** Donald Simborg, MD, Office of the National Coordinator for Health Information Technology (ONC) Anti-Fraud Project Executive Team Chairman, **"What I didn't expect was that the ONC would totally drop fraud management from its plan,"** and **"What I can't understand is why we don't try to solve this problem."**

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Sincerely,

Jim Wigney, Founder



State of South Carolina
Department of Health and Human Services

Mark Sanford
Governor

Emma Forkner
Director

June 2, 2009

Jim Wigney, Founder
Healthcare Authorization Systems
2443 Fair Oaks Boulevard
Sacramento, California 95825

Dear Mr. Wigney:

Thank you for the interesting proposal to the South Carolina Department of Health and Human Services (SCDHHS) concerning your Healthcare Authorization Systems product. We certainly agree that proactive management is needed to prevent waste, fraud and abuse of the Medicaid program, especially in an electronic environment. In this regard SCDHHS has several programs in place to identify waste, fraud and abuse as well as enhance system controls in the area of electronic health information technology and claims processing.

We also plan to develop requests for proposals for future enhancements to our procedures for claims review and processing. Healthcare Authorization Systems is invited to participate by sending in a proposal once the solicitation document is issued. You can obtain this information from the South Carolina Business Opportunities (SCBO) magazine, which is a twice-weekly publication that lists proposed procurements involving goods, services, information technology and construction. SCBO is available online through the South Carolina Budget and Control Board, Materials Management Office website.

Please be aware that any procurement by SCDHHS above a certain dollar amount has to be competitively awarded. According to the South Carolina State Procurement Code, solicitations by South Carolina State Government Agencies that are worth at or above \$10,000 in estimated or actual value must also appear in SCBO. In addition, as a State Agency, SCDHHS does not have the authority to invest in your company as a shareholder.

We appreciate your interest in the South Carolina Medicaid program.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kathleen C. Snider".

Kathleen C. Snider, Bureau Chief
Compliance and Performance Review

KCS/m

Log 655 ✓