

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE BILL 567*

Short Title: Statewide Enterprise Fraud/Waste Detection. (Public)

Sponsors: Senator Brunstetter.

Referred to: Health Care.

April 14, 2011

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A BILL TO BE ENTITLED
AN ACT PROVIDING FOR AN ENTERPRISE APPROACH FOR DETECTION OF
FRAUD, WASTE, ABUSE, AND IMPROPER PAYMENTS IN STATE GOVERNMENT
PROGRAMS AND APPROPRIATING FUNDS FOR THAT PURPOSE.

The General Assembly of North Carolina enacts:

SECTION 1. The General Assembly finds that:

- (1) Waste, fraud, and abuse can diminish multiple functional and program areas of State government by adversely affecting the State budget, impeding economic development, and depleting benefits for citizens in need.
- (2) Identifying possible fraud or abuse at an early stage will alert State agencies and prevent them from making payments or releasing funds inappropriately, thus providing potentially millions of dollars in cost-savings to the State.
- (3) Existing efforts to combat fraud and abuse are underway in the State's Medicaid program, with a focus on providers and identifying proper claims payments on a postpayments basis. In addition, the State has expanded its efforts to target ineligible Medicaid participants before the point of entry into the program to avoid costs associated with both maintaining and providing services to ineligible recipients.
- (4) State-supported social services programs, workers' compensation, unemployment insurance, tax compliance, and discretionary grants to community-based programs are other areas where it is important for the State to prevent waste, fraud, and abuse.
- (5) An enterprise approach to eliminating waste, fraud, and abuse, coordinated by a central compliance and oversight body, is the best course for the State in these economic times.

SECTION 2.(a) There is created the Expenditure Control Compliance Committee (Committee). The purpose of the Committee is to provide for the deployment of an enterprise-wide system to detect fraud, waste, and improper payments across State agencies, departments, institutions, and programs in order to leverage a common infrastructure and a common set of data integration points across multiple program areas, thus providing a faster and more comprehensive fraud prevention regime at minimal cost to the State. The Committee shall focus initially on the following areas: (i) Medicaid claims and other health care-related claims such as the State Health Plan and Health Choice, (ii) unemployment insurance, (iii) workers' compensation, (iv) revenue and tax collection, (v) discretionary grants and other community-based programs.

SECTION 2.(b) The Expenditure Control Compliance Committee shall consist of five voting members as follows:



- 1 (1) The State Budget Officer, who serves as chair.
- 2 (2) The State Controller, who serves as vice-chair.
- 3 (3) The State Treasurer.
- 4 (4) The Secretary of the Department of Health and Human Services.
- 5 (5) The State Chief Information Officer.

6 Service on the Committee requires the full expertise and attention of each member
7 such that the members may not appoint a designee to attend or to participate instead of the
8 member. The Committee shall terminate on December 31, 2016.

9 **SECTION 2.(c)** The Expenditure Control Compliance Committee shall:

- 10 (1) Solicit and review proposals from State agencies for allocation of funds from
11 the Enterprise Fund (i) to establish programs and opportunities to identify
12 improper claims prior to disbursement of State funds and (ii) to eliminate
13 fraud, waste, abuse, and improper payments, subsequent to disbursement of
14 State funds.
- 15 (2) Ensure that staff supporting the Committee works directly with State
16 agencies where programs have been identified to assist them with the
17 specific tasks involved to achieve the outcomes desired under the enterprise
18 fraud and waste program.
- 19 (3) Approve projects identified by State agencies to meet goals of the program
20 and to assure that procurement activity is consistent with State law. The
21 Committee may expand upon existing statewide licensing for projects that
22 provide immediate and confirmed benefits to the State.
- 23 (4) Utilize advanced analytical technology and modeling techniques, such as
24 link analyses and social network analyses, to allow staff to be more efficient
25 and effective at cost containment.
- 26 (5) Establish metrics, measures, and outcomes focused on return on investment
27 as an evaluation component for projects to be approved from the Enterprise
28 Fund.

29 **SECTION 2.(d)** The Office of State Budget and Management (OSBM) shall
30 provide staff dedicated to the Committee. OSBM staff assistance to the Committee includes
31 providing reports, analytics, procurements, evaluation, agency support, access to required data
32 resources, and any other requirements determined by the Committee.

33 **SECTION 3.** Within 90 days from the effective date of this act, the Committee
34 shall report to the Joint Legislative Commission on Governmental Operations on the
35 identification and progress on at least five projects implemented under this act. Within 180
36 days from the effective date of this act, the Committee shall report to the Joint Legislative
37 Commission on Governmental Operations on the activity of programs instituted and the status
38 of benefits of each program. These reports shall continue quarterly unless otherwise directed
39 by the General Assembly. These reports shall be developed by the Committee and presented
40 by the State Budget Director or the State Controller.

41 **SECTION 4.** Direct General Fund savings realized from these projects shall be
42 placed in a nonreverting reserve in the OSBM and shall not be utilized except by an
43 appropriation of the General Assembly. Other benefits such as cost avoidance shall be
44 identified and reported quarterly to the Joint Legislative Commission on Governmental
45 Operations.

46 **SECTION 5.** There is appropriated from the General Fund to the Office of State
47 Budget and Management the sum of four million dollars (\$4,000,000) for the 2011-2012 fiscal
48 year and the sum of four million dollars (\$4,000,000) for the 2012-2013 fiscal year to be used
49 to fund the Expenditure Control Compliance Committee established by this act and as start-up
50 funds for the development and deployment of an enterprise-wide information technology
51 system to detect fraud, waste, abuse, and improper payments in State government programs.

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SECTION 6. This act becomes effective July 1, 2011.