

Fraud Prevention System Return on Investment Fourth Implementation Year

To measure return on investment (ROI) from the Fraud Prevention System (FPS) in the fourth implementation year, covering the period January 1, 2015 to December 31, 2015, the Centers for Medicare and Medicaid Services (CMS) continued to use the same methodology that was described in the Second and Third Year FPS Reports to Congress. This methodology was certified by the Department of Health and Human Services Office of the Inspector General (HHS-OIG).

The FPS helped identify or prevent \$654.8 million in inappropriate payments during calendar year 2015 through actions taken due to the FPS or through investigations expedited, augmented, or corroborated by the FPS (Table 1). These identified savings were about 44% higher than the identified savings from the previous year, with a nearly \$11.5¹ to \$1 ROI.

Table 1. Identified Savings from the First to Fourth Year

	Measure	First Year \$ (Millions)	Second Year \$ (Millions)	Third Year \$ (Millions)	Fourth Year \$ (Millions)	Total \$ (Millions)
Actual	Amount Denied by Pre-payment Edits	11.5	18.4	24.0	24.7	78.6
	Amount Denied by Local Auto-Denial Edits ¹	4.7	1.6	1.5	1.9	9.7
	Amount Directly Rejected by FPS Edits	0	0	6.0	20.2	26.2
	Payment Suspensions	1.6	3.0	9.9	15.0 ²	29.5
Projected	Cost Avoidance from Revoking Provider Billing Privileges	13.9	92.1	135.6	167.3	408.9
	Amount of Overpayments Referred for Recovery	4.4	46.3	134.8	376.4	561.9
	Value of Law Enforcement Referrals	68.2	88.7	142.2	49.2	348.3
	Cost Avoidance due to Changes in Behavior	11.1	N/A ³	N/A ³	N/A ³	11.1
	Total	115.4	250.1⁴	454.0	654.8	1,474.3

Sources: The First Year data were published in the “Report to Congress – Fraud Prevention System – First Implementation Year” in December 2012, covering the time period July 2011 – June 2012. The Second Year data were published in the “Report to Congress – Fraud Prevention System – Second Implementation Year” in June 2014, covering the time period October 2012 – September 2013. The Third Year data were published in the “Report to Congress – Fraud Prevention System – Third Implementation Year” in July 2015, covering the time period January 2014 – December 2014. Amounts may not add exactly due to rounding.

Notes: The Small Business Jobs Act of 2010 (P.L. 111-240) defines the first implementation year as July 1, 2011 through June 30, 2012, the second implementation year as October 1, 2012 through September 30, 2013, and the third implementation year as January 1, 2014 to December 31, 2014. The purpose of this table is to provide trending information based on identified savings.

¹ CMS originally reported an ROI of \$11.6 to 1. Due to a rounding error, the corrected ROI is \$11.5 to 1.

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1. The auto-denial edits referenced in this table are those edits that the Zone Program Integrity Contractor (ZPICs) request the Medicare Administrative Contractors (MACs) implement based on information in the FPS. Claim denials based on these edits are not directly through the FPS.
2. This is the dollar amount in escrow in the last month of the reporting period. 45 providers were on active payment suspension as of the last day of the reporting period. The dollar amount excludes amounts that were in escrow during the year but the payment suspension was terminated prior to the end of the reporting period. These dollars are included in the overpayment measure.
3. In the first implementation year, a set of national edits were put in place for certain providers. The providers subject to the edit stopped billing; therefore, cost avoidance was calculated. This is not relevant to the second through fourth implementation years.
4. \$210.7M was the total identified savings certified in the Year 2 FPS Report to Congress. However, there was an additional \$39.4M that CMS attributed to the FPS because the FPS contributed to the investigation. We have included that \$39.4M in table 5, bringing the Year 2 total to \$250.1M.

Costs incurred in the fourth year of FPS implementation fall into three primary categories: FPS contractor costs, FPS-related CMS management costs, and Zone Program Integrity Contractor (ZPIC) costs incurred in investigating and acting upon FPS-generated leads. Costs were measured using the same methodology as that reported in the Second and Third Year FPS Reports to Congress. Costs cover the reporting period January 1, 2015 to December 31, 2015. Total costs associated with the FPS in the fourth implementation year are an estimated \$57 million, as shown in Table 2.

Table 2. Estimated FPS Costs

Category	\$ (Millions)
FPS Contractor Costs	
Developing Contractor Costs	19.5
Modeling Contractor Costs	4.8
CMS Management Costs	
Salaries (Government FTE) with Benefits and Other Indirect Costs, Including Training and Travel	3.9
Investigation Costs	28.9
Total Estimated Costs	57.1