

FAMS NextGen

The Future of Payment Integrity



FAMS NextGen

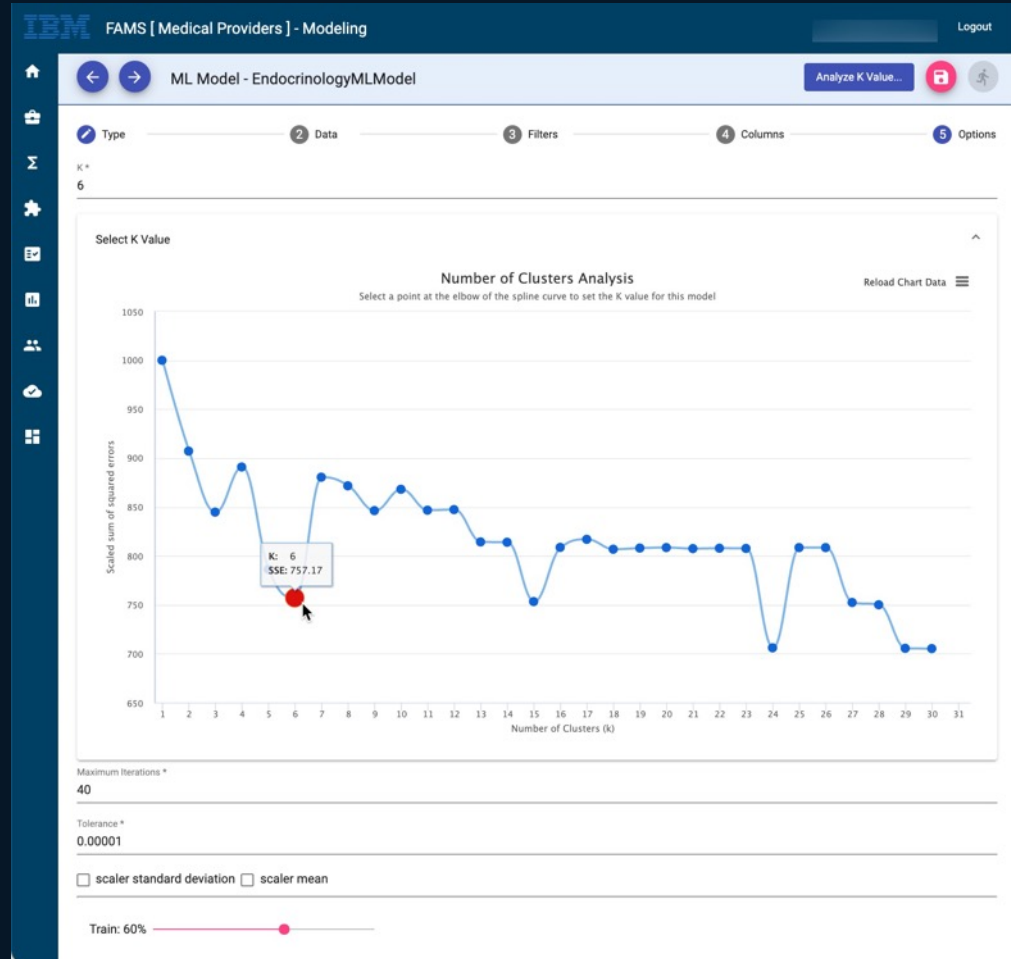
The **Event Stream Processing** capabilities allow our clients to act on the highest-risk transactions prior to payment

Artificial Intelligence (AI) Models

use data introspection to build a model based on the data

In addition to Traditional FAMS Models, Artificial Intelligence models are dynamically created based on the data and subject matter expertise

- The data is driving the selection of groups and features for the model
- Model building expertise is not required for users
- Includes development environment for features



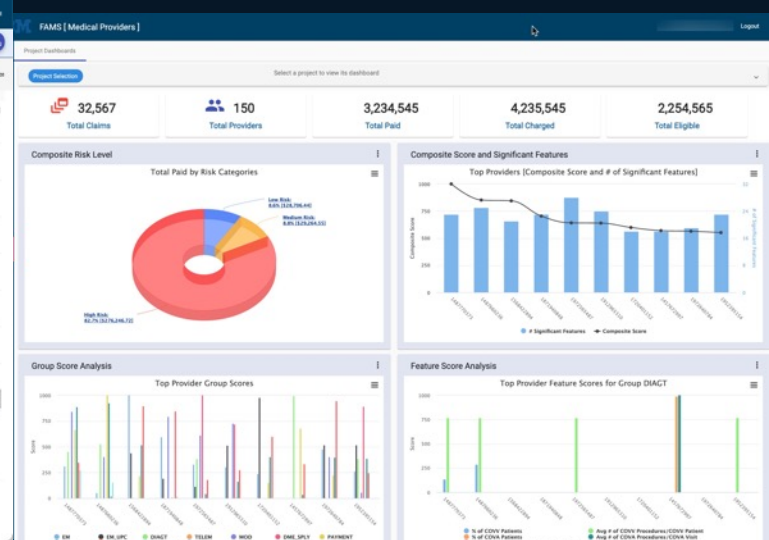
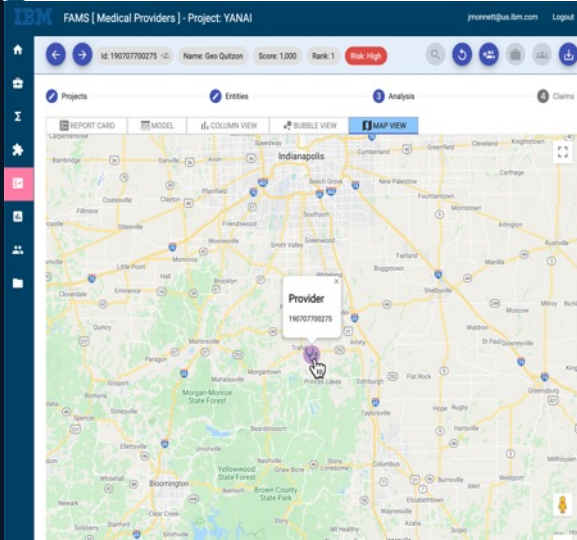
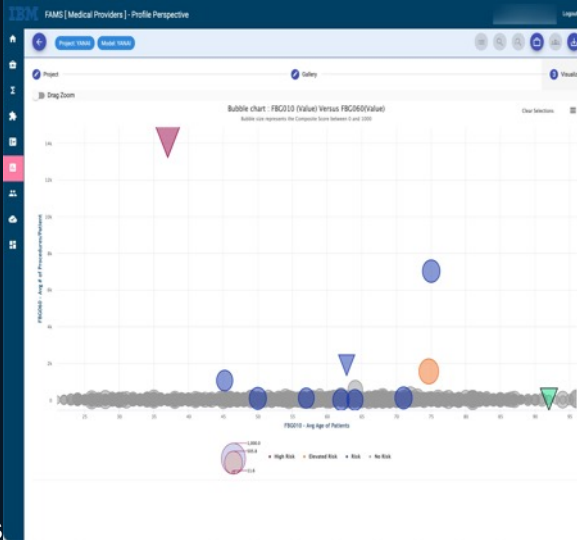
FAMS NextGen

Cognitive

We provide domain-specific solutions infused with AI & Machine Learning (ML)

ML models are applied to raw transactions:

- Users select the raw data elements to apply to the ML model
- Individual transactions are scored using one or more machine learning models
- Each of the ML scores generate new features by aggregating the ML scores to the entity level



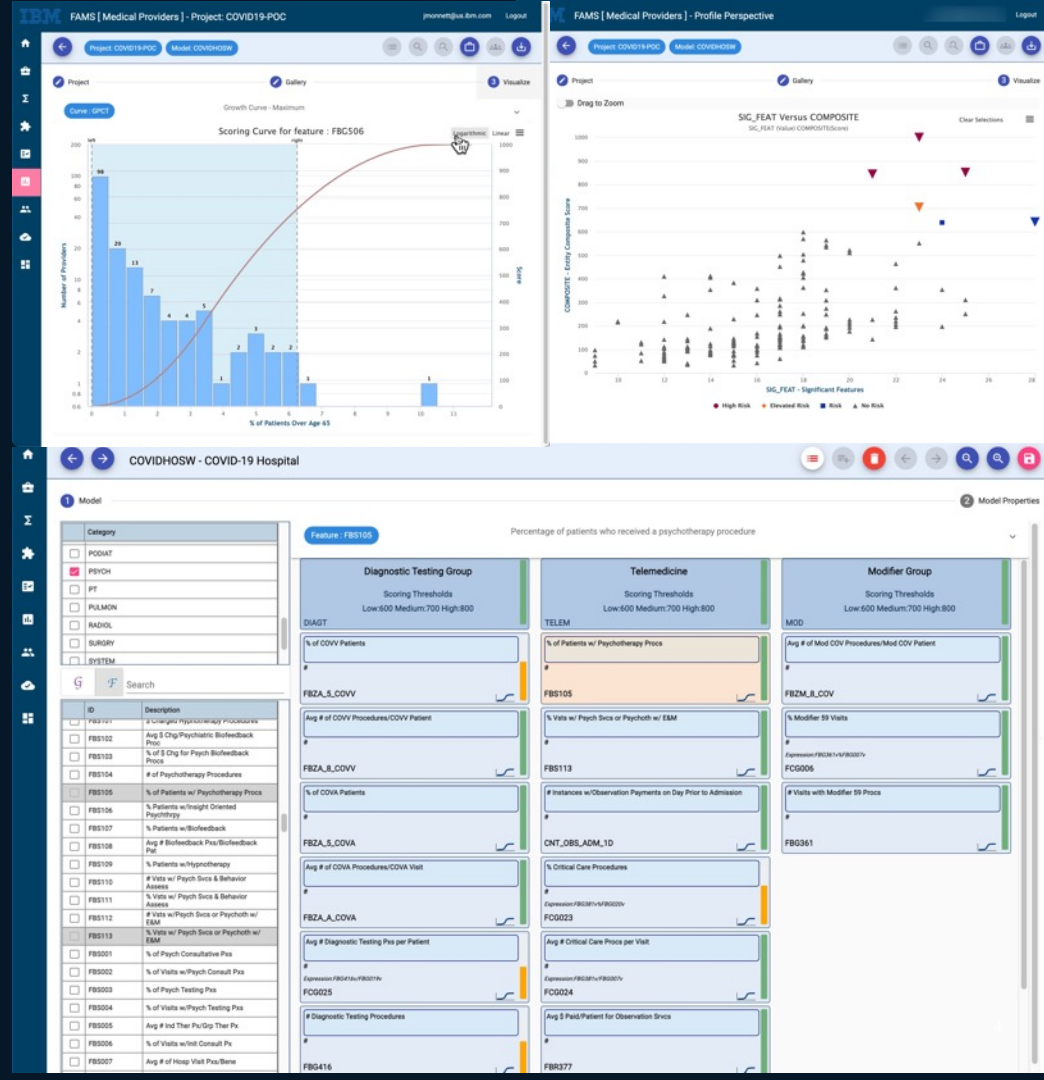
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Easy cloud deployments

Uses a managed database that is available on all Cloud platforms. The analytics engine is horizontally scalable and only incurs costs when running jobs

Ability to analyze multiple domains

- Retail
- Healthcare Claims
- Travel & Expense
- Claims Processors and Internal Fraud
- For States:
 - Unemployment Insurance Fraud
 - Income Tax Fraud
 - Grant Fraud
 - Bidding, Contracts and Letting Fraud & Collusion
 - Medicaid Fraud



Program Integrity Best-Practices

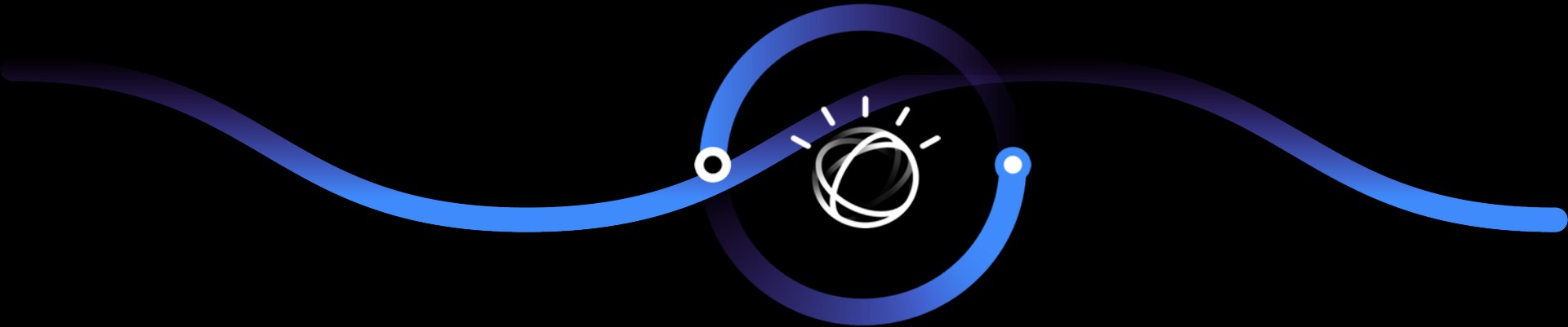
ML/AI models that spot anomalous behavior

***Behavioral Profiles** providing real-time insight into activity*

***Flexible Data** to respond to emerging risk landscapes*

***Hybrid cloud** as a platform for intelligent workflows*

***Operationalize tools** with specialized services support*



Global Pharma

Travel & entertainment expense monitoring

A large global pharmaceutical firm was monitoring enterprise level travel expenses manually and inconsistently across the geographies and business units. The firm needed to reduce cost, identify policy issues, identify fraud, and a better way to focus audit teams on high-risk cases.

\$2M

In submitted expenses being effectively monitored worldwide

Cost Reductions

Reduced audit expense by review teams provided high quality cases that confirmed true positive issues

Better Discovery

Discovered high risk behaviors in air travel, telecom, and cash (i.e. \$30K median cash abuse, multiple employees/cases)



The IBM Consulting team conducted a study on the travel and expense process area using NextGen. This solution provided comprehensive monitoring on a broad set of behaviors to identify high risk transactions and employees.

State DTF

Detecting and stopping income tax refund fraud

Our client wanted to enhance current audit case selection methods for detection of audit issues at the time a return is processed. The specific audit programs include Earned Income Credit, Dependent Child Care Credit, Itemized Deductions, Wage/Withholding, and Identity Theft.



\$2.0B

Increase in refund denials over a 9-year period

Increased Productivity

Increased screener and auditor productivity by focusing on better qualified leads

Improved Processes

“Honest” taxpayers have refunds processed faster with less hassle

The solution applies business rules and predictive models to categorize, and score returns nightly and identifies the ‘next best case’ for audit selection. In addition, a separate web-based portal provides screening and resolution of cases.

State Medicaid

Medicaid Claim Fraud

Our client faces a significant exposure to healthcare fraud and abuse. The current business process and technology used to fight fraud, waste, and abuse in Medicaid is ineffective – producing only around \$25 million annually in recoveries.

1B

Number of integrated claim lines from all 9 Medicaid payers + 3rd party data to “paint the full picture”

\$400M

Amount in flagged improper payments and cost avoidance on over 500 analytics referrals with a > 96% acceptance rate

Faster Detection

Automation of monitoring and high-risk behavior analytics to speed, persist, and simplify detection



The state embeds IBM Analytics (IBM NextGen and IBM Identity Insight) along with IBM SMEs to implement a comprehensive fraud analytics solution.

The IBM NextGen solution examined claims for suspicious patterns of behavior, quickly identifying providers and recipients for investigation.

IBM Identity Insight helps to identify organized criminal rings and collusive behaviors using identity resolution and uncovering unique relationships between entities.

Telco Giant

Accounts Payable & Internal Fraud

The high volume of accounts payable data proved challenging for this leading Telco client. They experienced issues with disparate systems as well as challenges with data quality. Due to many mergers and acquisitions, this company needed to reduce cost, identify policy issues, and identify fraud.



\$850K

In policy violations and improper approvals for 5 employees were detected

\$700M

Identified in Fraud Monitoring - 50 high risk cases turned over to IA and investigations

\$6M

Identified in erroneous invoicing, with expired statements of work

The IBM Consulting team implemented IBM NextGen to allow for continuous controls monitoring. This tool provides a streamlined method for identifying fraud, erroneous payments, and policy issues. It provides auditors with the ability to identify high risk behavior within the Accounts Payable process.

IBM

Internal Business Controls Risk & Compliance

High volume of expense reports presented a resource & efficiency challenge to timely and accurate processing. IBM needed a more streamlined method for identifying expense reporting errors and violations. With expense submissions of \$186M USD expense of 30K individual vouchers per month for 318k employees. These volumes represented a challenge to monitor effectively for potential errors without the use of analytics.

\$2.2B

Effective monitoring of 3.8M vouchers and \$2.2B yearly

5%

Contained Business Conduct Guideline violations/fraud and were referred to Internal Audit for investigation

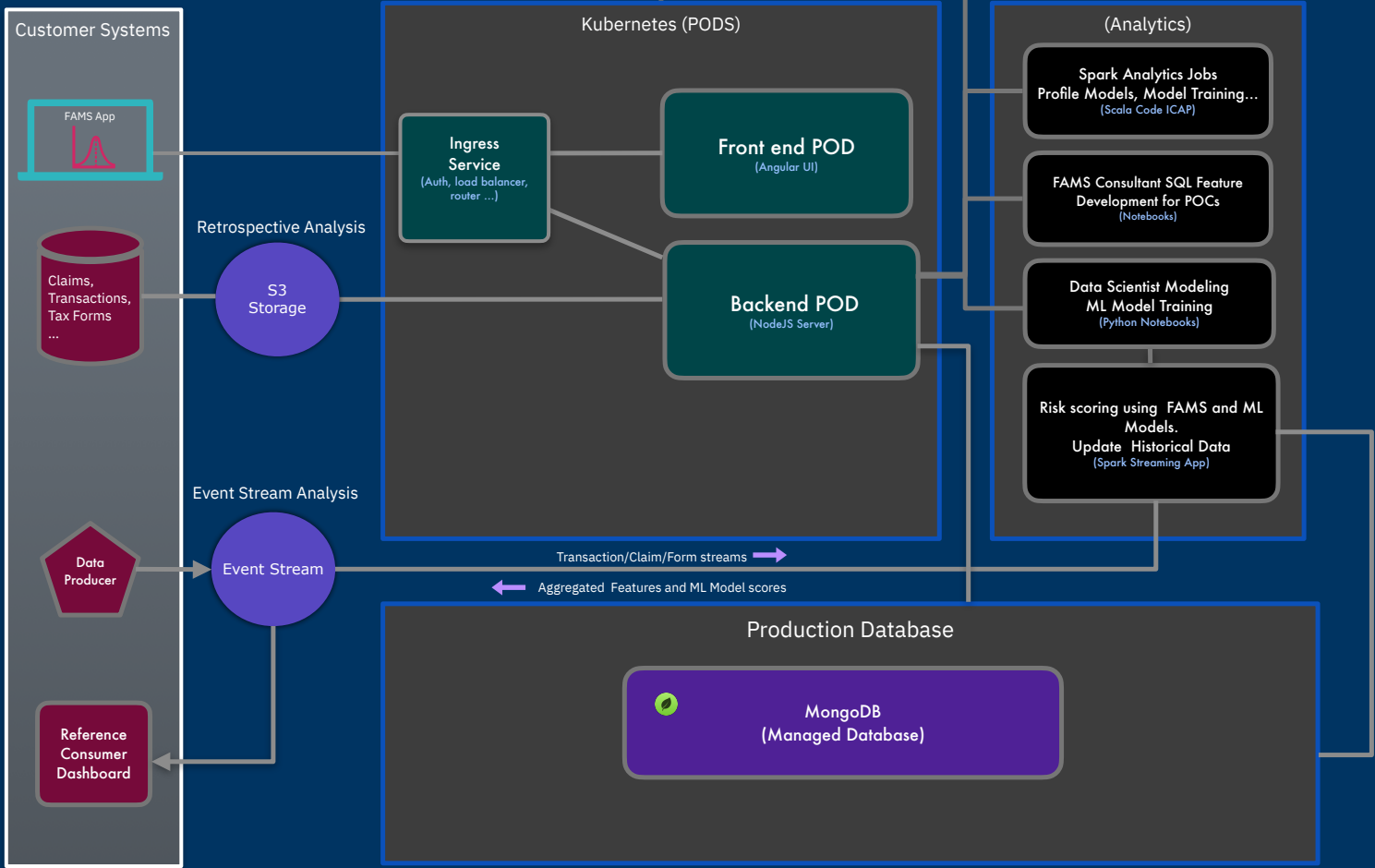
45%

Of employee expense reports showed a policy non-compliance



IBM Consulting implemented their asset, the NextGen solution. This solution provides a streamlined method for identifying expense reporting errors. It provides auditors with the ability to identify areas of risk within internal business controls.

FAMS Next Gen System Architecture



FAMS NextGen Proof of Concept (PoC): What Is It & What Will It Do?

Discover fraud and monitor compliance to policy in your business by retrospectively reviewing transactions and identifying individuals and behaviors that may represent fraudulent or wasteful activities.

Gather data about suspicious transactions and/or schemes **DETECTED** or **DISCOVERED**.

Build cases for policy violations, recoveries, or process improvement.

Build watch lists and rules to apply to **DETECTION** and/or **DISCOVERY**



Approach & General Timeline: 8 Weeks



Kickoff

½ day to 1 day

Identify use case and key indicators. Identify data requirements for transaction or claim analysis



Data Mapping & Modeling

2-3 weeks

Receive data and map to our capabilities to discover suspicious transactions



Data Discovery Model Training

3-7 weeks

Configure models to discover a baseline pattern and look for anomalous behaviors



Results Executive Report

1 week

Identify suspect behaviors and claims; build out future roadmap and deployment options

Retrospective Discovery

Deliverables

Use Case and Data Requirements Document

Initial Discovery Results

Final Report Package

Documented POC Roadmap, including Production Deployment Scenarios & ROM estimates

Scope

- Identify potential issues by combining compliance modeling expertise with your Healthcare claims data
- Use custom and pre-built behavior models that can be adapted to specifically examine transactions through peer group analysis
- Data
 - Claim or Transaction Data (3-years)
- Executive Report
 - Present results of suspect claims and/or behaviors
- Present Executive Report and review potential issues moving forward

The POC: What Is It & What Will It Do?

The Fraud Risk Assessment Follows a Four-Stage Approach

