



## LEGISLATIVE BUDGET BOARD

# Contract Reporting and Oversight at the Health and Human Services Commission

**PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE**

**LEGISLATIVE BUDGET BOARD STAFF**

**APRIL 2018**

# Presentation Overview

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- **TxEVER Procurement**
- **Procurement of CHIP Services in Hidalgo and Rural Service Areas**
- **Managed Care Contracts and Oversight**

# TxEVER PROCUREMENT

## Project Background

HB 1 (82R) directed DSHS to evaluate the effectiveness and security of the State's birth record information system. DSHS recommended updating to a new single state birth and death records management system.

The 84<sup>th</sup> Legislature appropriated \$14,124,618 for the development of the Texas Electronic Vital Events Register (TxEVER).

HHSC, which handles contract administration for DSHS, contracted with Genesis Systems to build and host the system. DSHS and HHSC did not obtain the proper exemption and needed to amend the contract to allow the system to be hosted by the Statewide Data Center Services.

Original Contract Value Reported to LBB	\$7,744,702
Actual Original Contract Value	\$15,606,894
Amended Contract Value	\$17,464,398

# TxEVER PROCUREMENT

## Timeline

CAT Review of Solicitation <sup>1</sup>	July 2015
Original Solicitation Posted	September 21, 2015
Contract Award	June 1, 2016
First Payment to Vendor <sup>2</sup>	July 2016
Attestation Letter Signed	November 14, 2017
Contract Amendment Executed	June 1, 2017
QAT, Governor, & Legislature Notified of Amendment <sup>3</sup>	June 2017 (Only QAT notified)
Original Completion Date	January 1, 2018
Amended Completion Date	January 1, 2019

<sup>1</sup> CAT provided recommendations on the weight applied to pricing in the evaluation criteria. DSHS/HHSC did not incorporate these recommendations.

<sup>2</sup> GAA Article IX, Sec. 7.12 states an agency may not make payments on a contract (over \$10M) until procurement is certified via an attestation letter.

<sup>3</sup> GAA Article IX, Sec. 9.01(c) requires notification prior to executing amendment.

# Procurement For CHIP Rural And Hidalgo Service Areas

## Background

In 2010, HHSC awarded contracts to Molina, worth \$121M, and Superior, worth \$614M, to be the Children's Health Insurance Providers (CHIP) in the Hidalgo and three Rural Services Areas. The contracts had an end date of September 1, 2018.

HHSC began a new procurement for providers in these service areas in January 2017. HHSC awarded contracts to five managed care organizations by February 2018. The contracts were to begin on September 1<sup>st</sup>, 2018.

On April 6, 2018, HHSC cancelled the five contracts after finding errors in the bid evaluation worksheets. The incumbent providers, Molina and Superior, will continue until new contracts can be awarded.

HHSC released a new solicitation for CHIP providers in all Medicaid service areas on April 6, 2018. The new contracts are expected to begin in 2020.

# Procurement For CHIP Rural And Hidalgo Service Areas

## Timeline

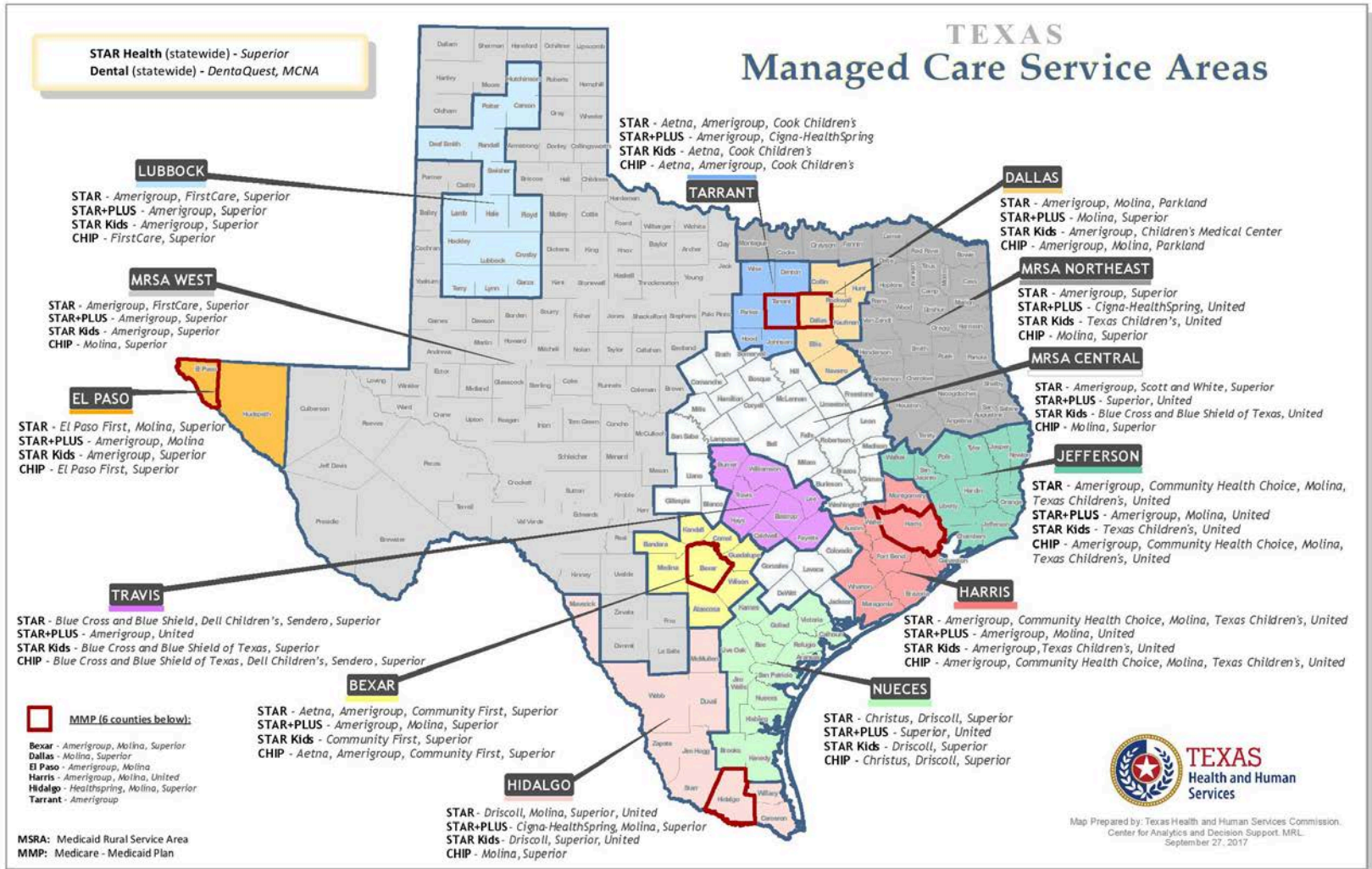
CAT Review of Solicitation <sup>1</sup>	Nov 11, 2016
Original Solicitation Posted	Jan 5, 2017
Award Dates	Dec 14, 2017 - Feb 20, 2018
Contract Attestation Letter Signed	Apr 3, 2018
Contracts Cancelled	Apr 6, 2018
New Statewide Solicitation Posted	Apr 6, 2018
Start Date for New Providers	Jan 1, 2019

<sup>1</sup>The Contract Advisory Team suggested including weights with the evaluation criteria. HHSC did not do so in the 2017 procurement.

# Procurement For CHIP Rural And Hidalgo Service Areas

Region	Incumbent CHIP Provider	Cancelled Contract Awardees
MRSA West	Molina, Superior	Molina, Superior
Hidalgo	Molina, Superior	Molina, Driscoll
MRSA Central	Molina, Superior	Molina, Blue Cross Blue Shield
MRSA Northeast	Molina, Superior	Molina, Texas Children's
Managed Care Organization		Value of Cancelled Contract Reported to LBB Database
Molina		\$116,666,6666
Superior		\$116,666,6666
Texas Children's		\$116,666,666
Driscoll		\$16,666,666
Blue Cross Blue Shield		\$1,666,666

# CHIP Rural And Hidalgo Service Areas





# Managed Care Contracts

HHSC has reported 48 active managed care contracts worth \$91.7 billion. All have the required attestation letter. The term of each contract varies.

10 Largest MCOs	Total Value of Contracts	Number of Contracts
Superior	\$20,119,112,559	7
Amerigroup	\$16,016,142,963	5
United Healthcare	\$10,297,770,360	3
Molina	\$9,372,199,193	4
Texas Children's Health	\$5,656,397,948	2
Community Health Choice	\$4,440,883,072	1
Dentaquest	\$4,133,571,752	1
MCNA Insurance	\$3,185,126,414	1
Healthspring	\$3,055,979,119	3
Parkland Community Health	\$3,019,141,048	1
Total of Top Ten MCOs	\$79,296,324,428	28

# Managed Care Contract Oversight

	Planning	Solicitation	Contract Award & Formation	Post Award
Internal Oversight	Medicaid/CHIP Staff HHSC Management	Medicaid/CHIP Staff HHSC Management	Medicaid/CHIP Staff HHSC Management	Medicaid/CHIP Staff HHSC Management Inspector General Internal Audit
External Oversight	Centers for Medicare and Medicaid Services (CMS)	Contract Advisory Team	Attorney General (over \$250M)	LBB COTT State Auditor Federal HHS OIG CMS

# HHSC Contract Oversight

HHSC has broad authority to allocate funding and FTEs not otherwise restricted by a rider in the 2018-19 GAA between functions and activities within a strategy, including administrative strategies associated with contract oversight responsibilities.

The 2018-19 GAA includes:

- \$1.3 billion in All Funds (\$389.7 million in General Revenue) for Medicaid and CHIP Contracts and Administration, which includes costs for administering the Texas Medicaid and CHIP programs including MCO contract oversight.
    - HHSC is required by Rider 195, Limitation on Transfer Authority- Medicaid & CHIP Contracts and Administration, to obtain written approval from the LBB and the Governor to transfer funding, FTEs, or capital budget authority into or out of the Medicaid and CHIP Contracts and Administration strategies, and has not sought such approval.
  - \$960.0 million in All Funds (\$318.5 million in General Revenue) for HHS System Oversight and Program Support functions which includes costs for all system, IT, and central oversight and program support including Procurement and Contracting Services (PCS) which provides procurement and contracting services for all HHS agencies.
    - HHSC Rider 181, Transfers: Authority and Limitations, allows transfers between HHS System Oversight and Program Support strategies, but requires HHSC to obtain written approval from the LBB and the Governor to transfer funding, FTEs, or capital budget authority into or out of the System Oversight and Program Support strategies from or to non-System Oversight and Program Support strategies, and has not sought such approval.
- \* **Appendix A** of this presentation provides further detail on HHSC's budget authority and flexibility related to contract oversight.

# Appendix A

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Reference materials include:

- HHSC appropriations in the 2018-19 General Appropriations Act
- Agency Requested Funding
- MCO Contract Oversight Funding
- Agreed Upon Procedures
- Utilizations Reviews
- External Quality Reviews
- HHSC Procurement and Contracting Services Funding

# 2018-19 General Appropriations Act

## Health and Human Services Commission (HHSC) Medicaid and CHIP Contracts and Administration (2018-19 biennium) (dollar amounts in millions)

Strategy	General Revenue	All Funds	FTEs
B.1.1, Medicaid Contracts and Administration	\$387.6	\$1,258.5	806.1
B.1.2, CHIP Contracts and Administration	\$2.1	\$30.3	60.0
<b>Total</b>	<b>\$389.7</b>	<b>\$1,288.8</b>	<b>866.1</b>

These strategies include costs for administering the Texas Medicaid and CHIP programs. Expenditures include staffing costs as well as contracted costs for the claims administrator, managed care quality monitoring support, enrollment broker services, informal dispute resolution, and MCO contract oversight.

# 2018-19 General Appropriations Act

## *Continued*

HHSC has broad authority to allocate funding and FTEs that are not otherwise restricted by a rider in the 2018-19 GAA between functions and activities within the Medicaid and CHIP Contracts and Administration strategies.

- **Transfer Authority**

- Provided by Rider 195, Limitations on Transfer Authority – Medicaid & CHIP Contracts and Administration
  - Requires HHSC to obtain written approval from the LBB and the Governor before making any transfers of funding, FTEs, or capital budget authority into or out of Strategy B.1.1, Medicaid Contracts and Administration or B.1.2, CHIP Contracts and Administration.
  - HHSC has not submitted any requests for transfers into or out of these strategies for the 2018-19 biennium.

# 2018-19 General Appropriations Act

## *Continued*

- **Other Riders:**

- Rider 26, Evaluation of Medicaid Data (added in the 2016-17 GAA)
  - Requires HHSC to annually evaluate data submitted by MCOs to determine whether the data continues to be useful or if additional data is needed to oversee contracts or evaluate the effectiveness of Medicaid.
- Rider 38, Data Analysis Unit Reporting (added in the 2018-19 GAA)
  - Government Code, §531.0082 (added by Senate Bill 8, Eighty-third Legislature, Regular Session, 2013) requires HHSC to report quarterly on the activities and findings of the Data Analysis Unit, and any anomalies related to service utilization, providers, payment methodologies, and compliance with requirements in Medicaid and CHIP to the OIG.
  - HHSC submitted the first quarterly report for FY 2018 pursuant to the rider on January 12, 2018. LBB did not receive written reports on the Data Analysis Unit prior to fiscal year 2018.

# 2018-19 General Appropriations Act

## *Continued*

- **Other Riders, Continued:**
  - Rider 61, Evaluation of Medicaid Managed Care (new in the 2018-19 GAA)
    - Subsection (b), Contract Review and Oversight, requires HHSC to submit a report on the agency's contract management and oversight function for Medicaid and CHIP managed care contracts to the LBB and the standing committees with jurisdiction over health and human services no later than September 1, 2018.



# Agency Requested Funding

## 2016-17 General Appropriations Act, Regular Session, 2015 (dollar amounts in millions)

Strategy	General Revenue	All Funds	FTEs
B.3.1, Medicaid Contracts and Administration	\$0.5	\$3.0	17.3

- HHSC was appropriated the amounts above in the 2016-17 biennium to improve Medicaid staffing and support. The agency requested this funding in the Legislative Appropriations Request (LAR) for the 2016-17 biennium.
- The request included 5.0 FTEs to support health plan management for new managed care program expansions; 10.0 FTEs to expand utilization review functions to support managed care expansion and Medicaid Management Information System claims administrator contract management; and 2.0 FTEs to support Medicaid/CHIP program data analytics.

# Agency Requested Funding

## *Continued*

### **Eighty-fifth Legislature, Regular Session, 2017**

- HHSC's LAR for the 2018-19 biennium included a request for \$13.7 million in All Funds (\$6.8 million in General Revenue Funds) and 79.0 FTEs for contract management, oversight, system improvements, and to extend the Quality Monitoring Program for Intermediate Care Facilities for Individuals with Intellectual Disabilities.
- Agency exceptional item requests are typically not funded in the Introduced General Appropriations Bills. Agencies were asked to revise their exceptional item requests after the General Appropriations Bills (Senate Bill 1 and House Bill 1) were Introduced.
- HHSC did not include the request in their revised exceptional item list after the General Appropriations Bills (Senate Bill 1 and House Bill 1) were Introduced.

# HHSC MCO Contract Oversight

Responsibility for managed care contract oversight and audit of MCO contracts at the agency level is shared among HHSC Medicaid and CHIP Services Department, HHSC Internal Audit, and the Office of the Inspector General. Audit coverage and contract oversight functions at HHSC and other state and federal entities are generally focused on particular, limited aspects of MCO contracts and operations.

- **Medicaid and CHIP Services Department (MCSD):**

- Included in Strategy B.1.1, Medicaid Contracts and Administration (FY 2018) (dollar amounts in millions):

Function	General Revenue	All Funds	FTEs
Contract compliance and performance management	\$2.5	\$6.5	79.0
Health plan management	\$1.3	\$2.6	33.0
<b>Total</b>	<b>\$3.8</b>	<b>\$9.1</b>	<b>112.0</b>

- MCSD conducts financial and operational oversight and monitoring activities of the MCOs, and is also responsible for financial audits (Agreed Upon Procedures), risk assessment engagements, and performance audits to be conducted by outside contractors.

# HHSC MCO Contract Oversight

## *Continued*

- **HHSC Internal Audit:**

- Included in Goal L, System Oversight and Program Support (FY 2018)  
(dollar amounts in millions):

<b>Function</b>	<b>General Revenue</b>	<b>All Funds</b>	<b>FTEs</b>
Internal audit	\$2.3	\$5.7	59.0

- Provides assessments of programs, processes, and systems under oversight of HHSC in accordance with the HHSC Internal Audit Charter or at the request of executive management, which could include audits of MCOs.
- There are no managed care related internal audits on the Fiscal Year 2018 Audit Plan as of March 8, 2018.

# HHSC MCO Contract Oversight

## *Continued*

- **The Office of the Inspector General (OIG):**
  - Included in Strategy K.1.1, Client and Provider Accountability (FY 2018) (dollar amounts in millions):

<b>Function</b>	<b>General Revenue</b>	<b>All Funds</b>	<b>FTEs</b>
Audit	\$2.9	\$5.6	81.7

- Responsible for planning and conducting regular performance audits of MCOs in coordination with MCSD and HHSC Internal Audit.
- Performance audits determined by a collaborative risk-assessment process or at the request of HHSC management.

# Agreed Upon Procedures

- Each MCO is subject to an annual Agreed Upon Procedures engagement (AUP) conducted by an audit contractor to verify the accuracy of the annual financial statistical report (FSR) for each MCO.
- FSRs are required by contract on an annual basis and serve as the primary statement of financial results for the MCOs.
  - The FSR serves as the basis for the calculation of Experience Rebate payments to the state.
  - The Uniform Managed Care Manual provides cost principles for determining allowable and unallowable administrative and other expenses for the FSR.
- AUPs may result in updated Experience Rebates, Liquidated Damages, or a corrective action plan.

# Utilization Review

- HHSC added the Acute Care Utilization Review (UR) Section to the Medicaid and CHIP Services Office of the Medical Director following a directive from Senate Bill 8, Eighty-third Legislature, Regular Session, 2013.
- The UR Section is managed by a registered nurse and reviews the prior authorization and utilization management practices in managed care programs with the intention of ensuring not only that MCOs are correctly enrolling members in STAR+PLUS Home and Community Based Services (pursuant to Government Code, Section 533.00281) but also MCOs are providing services according to their assessment of service needs.
- The OIG also conducts retrospective utilization reviews of hospitals and nursing facilities to assess the medical necessity for care, appropriateness of diagnosis coding, and quality of care. The OIG selects claims for review based on an assessment of risk.
- UR activities can inform contract policy and operational changes including policy and contract clarifications, MCO training, internal process improvements, or other remedies.

# External Quality Review

- The federal Balanced Budget Act of 1997 requires state Medicaid programs to contract with an external quality review organization (EQRO) to ensure state programs and contracted MCOs are compliant with established standards.
  - The Institute for Child Health Policy has been the EQRO for Texas since 2002.
- The EQRO produces reports to support efforts to ensure timely and quality care in managed care programs, allow comparisons across MCOs in each program, and to develop goals and other quality improvement activities.
- The EQRO conducts ongoing evaluations of quality of care primarily using MCO administrative data, including claims and encounter data. The EQRO also reviews MCO documents and provider medical records, conducts interviews with MCO administrators, and conducts surveys of Texas Medicaid and CHIP members, caregivers of members, and providers.



# HHSC Contract Oversight

- **HHSC Procurement and Contracting Services:**

- Included in Strategy L.1.1, Enterprise Oversight and Policy (FY 2018)  
(dollar amounts in millions):

<b>Function</b>	<b>General Revenue</b>	<b>All Funds</b>	<b>FTEs</b>
Procurement and Contracting Services	\$2.5	\$12.6	198.3

- Provides all procurement and solicitation activities, contract administration, and contract reporting.
- Procurement and Contracting Services for the HHS system is consolidated at HHSC and is partially funded by Interagency Contract from the Department of State Health Services and the Department of Family and Protective Services.



# LEGISLATIVE BUDGET BOARD

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