House Committee on General Investigating & Ethics

Charles Smith
Executive Commissioner

March 16, 2017
Presentation Overview

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Procurement and Contract Oversight Goals

- Apply focused, high-level attention to system contracting through clear lines of accountability.
- Increase transparency and oversight through key performance metrics.
- Provide effective customer support, communication, technical assistance, and training.
- Take corrective action when necessary.
- Strive for continuous improvement.
Levels of Oversight and Review

**Key Internal Oversight**

- HHSC Procurement & Contracting Services Division
- Health Plan Management within the Medicaid & CHIP Services Department
- HHS Ethics Office
- Internal Audit
- Office of the Inspector General

**Key External Oversight**

- Legislative oversight committees
- Legislative agencies: Legislative Budget Board, Sunset Advisory Commission, and State Auditor’s Office
- Texas Comptroller of Public Accounts
- Governor’s Office Strike Force (completed review in February 2015)
Procurement & Contracting Services

Ron Pigott
Deputy Executive Commissioner, Procurement & Contracting Services
Ron Pigott

Oversees procurements, contract administration, and contract monitoring for all health and human service (HHS) agencies.

Professional Experience

• March 2015: Named Deputy Executive Commissioner for Procurement & Contracting Services (PCS)
• 2008-2015: Director of TPASS and State’s Chief Procurement Officer for the Texas Comptroller of Public Accounts
• 2006-2008: Assistant Attorney General for the Office of the Attorney General’s Child Support Division
• 1998-2006: Assistant General Counsel for the Texas Water Development Board
• 1994-1998: Assistant General Counsel for the Texas Department of Public Safety

Education

• Bachelor’s Degree, Criminology – University of Florida
• Juris Doctorate – Texas Tech University School of Law
PCS Overview

Consolidated and reorganized procurement and contracting functions within the HHS System.

New structure:
• Provides clear oversight authority for all contracts.
• Creates closer linkages between PCS staff and the programs they support.
• Enhances project management and quality assurance.
• Ensures timely implementation of new policies.
• Provides training to procurement staff and contract managers.
Contracting Initiatives

Improved Oversight and Transparency

• Executive staff sign all contracts over $1 million.
• Additional review and approval for all solicitations.
• Employ and help assess corrective action plans, liquidated damages, delivery schedules, and other financial provisions.
• Developed risk analysis and evaluation tools to enhance the HHS System’s ability to detect and resolve problems.

Enhanced Customer Support

• Created teams to support procurement and contracting for program staff.
• Ensure all purchases are from certified purchasers.
• Reconstituted the Contract Council to provide high-level attention to contracts, as well as to enhance cross-area collaboration and communication.
Contracting Initiatives

Training and Process Improvements

• Updated contract handbook that establishes consistent contracting policies and practices.
• Evaluate request for proposal processes.
• Develop and provide training to PCS staff and contract managers.

Technology Enhancements

• Create central contract database (System of Contract Operating and Reporting (SCOR)) to better manage all client services and general administrative contracts.
• Link SCOR with the Centralized Accounting and Payroll and Personnel System (CAPPS) to capture and report contract and purchasing information to the Comptroller.
HHS Ethics Office

David Reisman
Chief Ethics Officer
David Reisman
HHS Ethics Office

Oversees the HHS Ethics Office – a designated resource in the HHS system for ethics guidance and policy interpretation.

**Professional Experience**

- March 2015: Named Chief Ethics Officer
- 2013-2015: Chief Compliance Officer at the Cancer Prevention and Research Institute (CPRIT)
- 2004-2013: Executive Director of the Texas Ethics Commission
- 2002-2004: Special Assistant to the General Counsel of the United States Army

**Education**

- Bachelor of Arts – West Virginia Wesleyan College
- Masters of Public Administration – Martin School of Public Administration at the University of Kentucky
- Juris Doctorate – University of Kentucky School of Law
Contract Management Approach for Select Medicaid Contracts

Rich Stebbins
Director of Financial Reporting and Audit Coordination,
Medicaid & CHIP Services Department
Contract Management Approach

• HHSC establishes contract processes and oversees major contracts by developing a formal governance structure with cross-division representation that includes:
  ➢ Legal support for contract negotiations, contract development, and contract oversight;
  ➢ Financial staff for contract negotiations and oversight of financial reporting;
  ➢ Program staff to track adherence to contract requirements via submission of routine deliverables and to identify potential deficiencies; and
  ➢ Clinical staff to perform utilization reviews, documenting appropriate service planning and service delivery.

• HHSC uses contracted audit firms to conduct regular financial and performance audits.

• HHSC performs operational reviews of each MCO once every two years.

• HHSC determines performance failures and assesses penalties, including liquidated damages and corrective action plans.
HHSC Oversight and Audit Process

- HHSC’s contract auditors conduct an annual Agreed-Upon-Procedures (AUP) engagement for each MCO.
- Final Financial Statistical Reports (FSRs) cannot be audited until October of the following calendar year.
- AUPs are initiated after the final FSRs are submitted by MCOs and final audit reports are completed by the following summer or fall.
- Scope of AUPs are developed jointly by HHSC and its contract auditors.
HHSC Oversight and Audit Process

• Contract auditors also conduct:
  ➢ Targeted Performance Audits - on an “as needed” basis; and
  ➢ Risk Assessments – every 2 years for all MCOs.

• HHSC performs rigorous desk reviews of all MCO self-reported data each quarter.

• Administrative spending for all MCOs is capped at an amount which is calculated by HHSC, which has the potential of disallowing large amounts of administrative spending.
HealthSpring Life and Health Insurance Company, Inc.

Report by the Texas State Auditor’s Office
February 2017
Response to Health Spring Audit

- The State Auditor’s Office (SAO) conducted its audit before HHSC began its annual AUPs
- Unallowable costs would be eliminated from the experience rebate calculation due to administrative cap
- “Questionable” costs would be analyzed and reclassified, if appropriate; unsubstantiated costs would be disallowed
- Administrative cap methodology disallowed $7.3 million in administrative spending
Medicaid Managed Care Contract Processes at the Health and Human Services Commission

Report by the Texas State Auditor’s Office
October 2016
Steps Taken to Address Audit Findings

• Developed a risk based contract monitoring tool to guide desk audits and operational/performance reviews.

• Integrated quality assurance data collected by External Quality Review Organization, including member survey results, into risk assessment.

• Currently developing a standardized operational review tool to assess MCO performance on a range of indicators, including financial, clinical and operational measures.

• HHSC’s audits and operational reviews are in addition to the routine review of deliverables and issuance of liquidated damages on a quarterly basis.
Steps Taken to Address Audit Findings

- Contracted with independent audit entities to conduct risk assessments and performance audits of pharmacy benefit managers (PBMs), including validation of data submitted by MCOs.
- Clarified contract language to ensure MCOs are billed for all financial and performance audits conducted.
- Established process for notification and deposit of Experience Rebate payments, including issuing demand letters if payment is less than the amount owed.
- Inspector General is initiating its first PBM audit in March 2017.
Improve the Cost Effectiveness of Medical Transportation Services for Texas Medicaid Clients

Report by the Legislative Budget Board Staff

January 2017
Medical Transportation Program (MTP)

- MTP provides nonemergency medical transportation to covered medical appointments for Medicaid clients who have no alternative means of transportation.

- HHSC submitted and received approval from Centers for Medicare & Medicaid Services (CMS) for a State Plan Amendment and 1915(b) waiver to provide covered transportation services through a managed transportation organization (MTO) model.

- MTOs receive a capitated payment on a per member, per month basis.

- Establishing actuarially sound capitation rates is consistent with the process used across all HHSC managed care products.

- Recently, HHSC executed a contract extension to facilitate alignment between nonemergency transportation contracts and upcoming MCO procurements.
Human Resources

Chris Adams
Deputy Executive Commissioner
System Support Services
Human Resources (HR)

• House Bill 2292, 78th Legislature, Regular Session, 2003, merged 12 state agencies into five and consolidated certain administrative areas, including HR.

• Following consolidation, HHSC outsourced most HR functions.

• HR functions not outsourced include:
  - Developing and updating HR policies and HHS Workforce Plan
  - Providing policy interpretation/guidance and consultation on all HR related issues
  - Maintaining personnel records
  - Acting as an intermediary for background checks
Human Resources Contract Management at the Health and Human Services Commission

Report by the Texas State Auditor’s Office
October 2016
HHS HR Contract

• Currently, HHSC has a five year contract with NorthgateArinso (May 1, 2013 – April 30, 2018)
• Total contract value: up to $56.9 million
• The cost in fiscal year 2016 was approximately $11.6 million or $213 per employee/per year.
HR Contractor Functions

Responsibilities:
- Phone support for HHSC employees and managers
- Payroll, time and leave management
- HR administration and compensation administration (job classification)
- Learning administration and SAO Employee Exit Surveys
- Performance management and talent acquisition
- Benefit coordination and garnishments
- Unemployment Insurance Administration
- Workers compensation claims

System Includes:
- Hiring Center (Vurv) for all applications and job postings
- Case Management (eCase)
- Learning Catalogue (SkillSoft Catalog with 150 courses)
- Knowledge Base/Repository for HHS HR policies and procedures
HR Contractor Functions

Average Monthly Transactions:

- 66,500 on-cycle and 12,500 off-cycle payments
- 3,500 time and leave exceptions and/or cases
- 2,500 job applications
- 2,000 offers
- 1,200 new hires
- 1,000 benefit elections forms
- 8,300 benefit related queries, reviews and cases
- 650 garnishments
- 500 SAO surveys (exit letters)
- 1,800 HR administrative cases
- 145 unemployment insurance cases
- 250 workers compensation claims
- 20,000 calls (30 percent are password resets)