



Presentation to the General Investigating & Ethics Committee

**Charles Smith - Executive
Commissioner**

**Stephanie Muth - State Medicaid
Director**

February 15, 2018



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SAO report recommendation

Excerpt

"The Commission should:

Adhere to its cost principle that states bonus and incentive payments are unallowable costs for financial statistical reports,

or

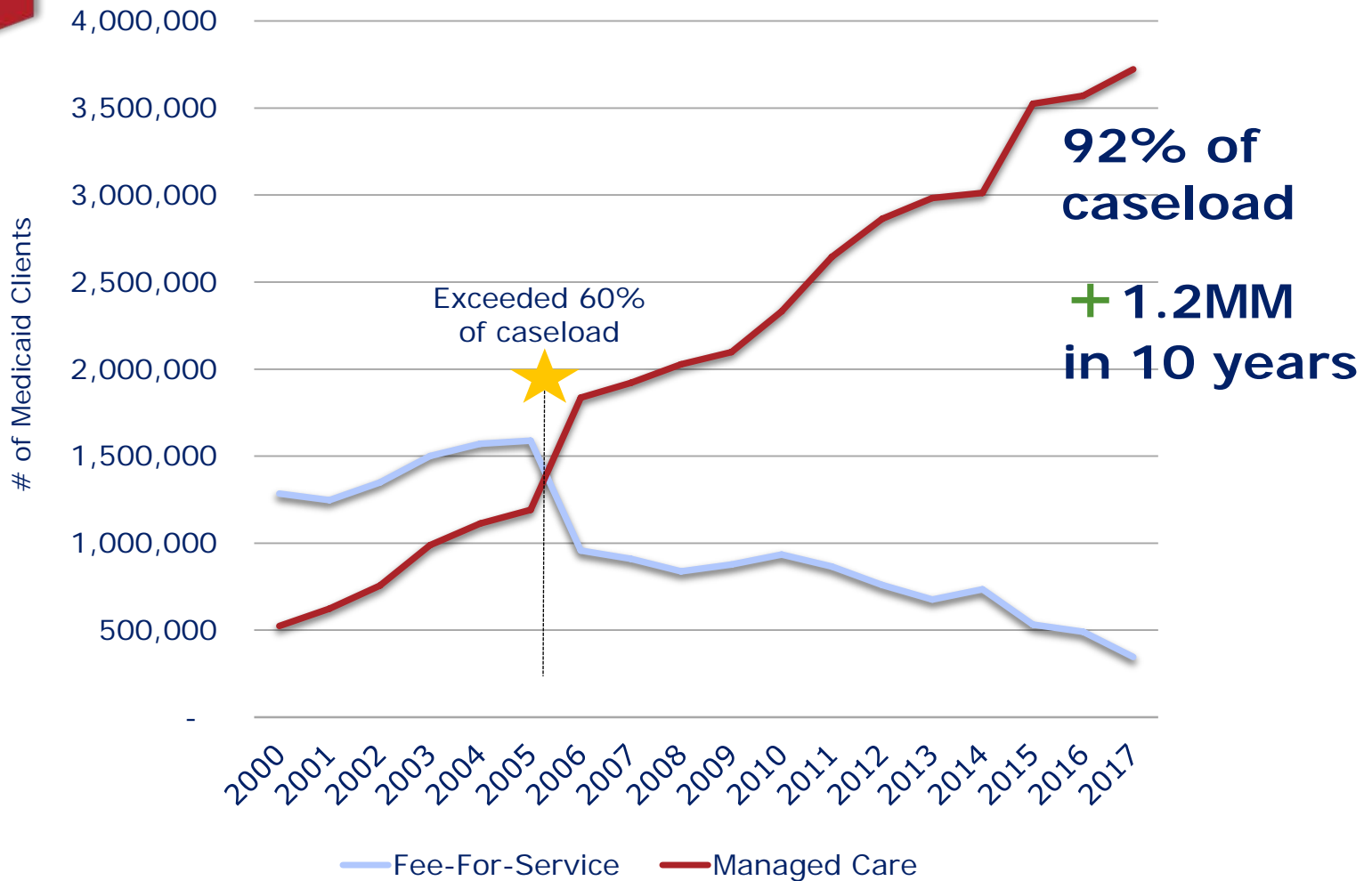
amend the cost principles to allow bonus and incentive payments to reflect current business practices."



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An evolving landscape

Rapid growth of Managed Care model



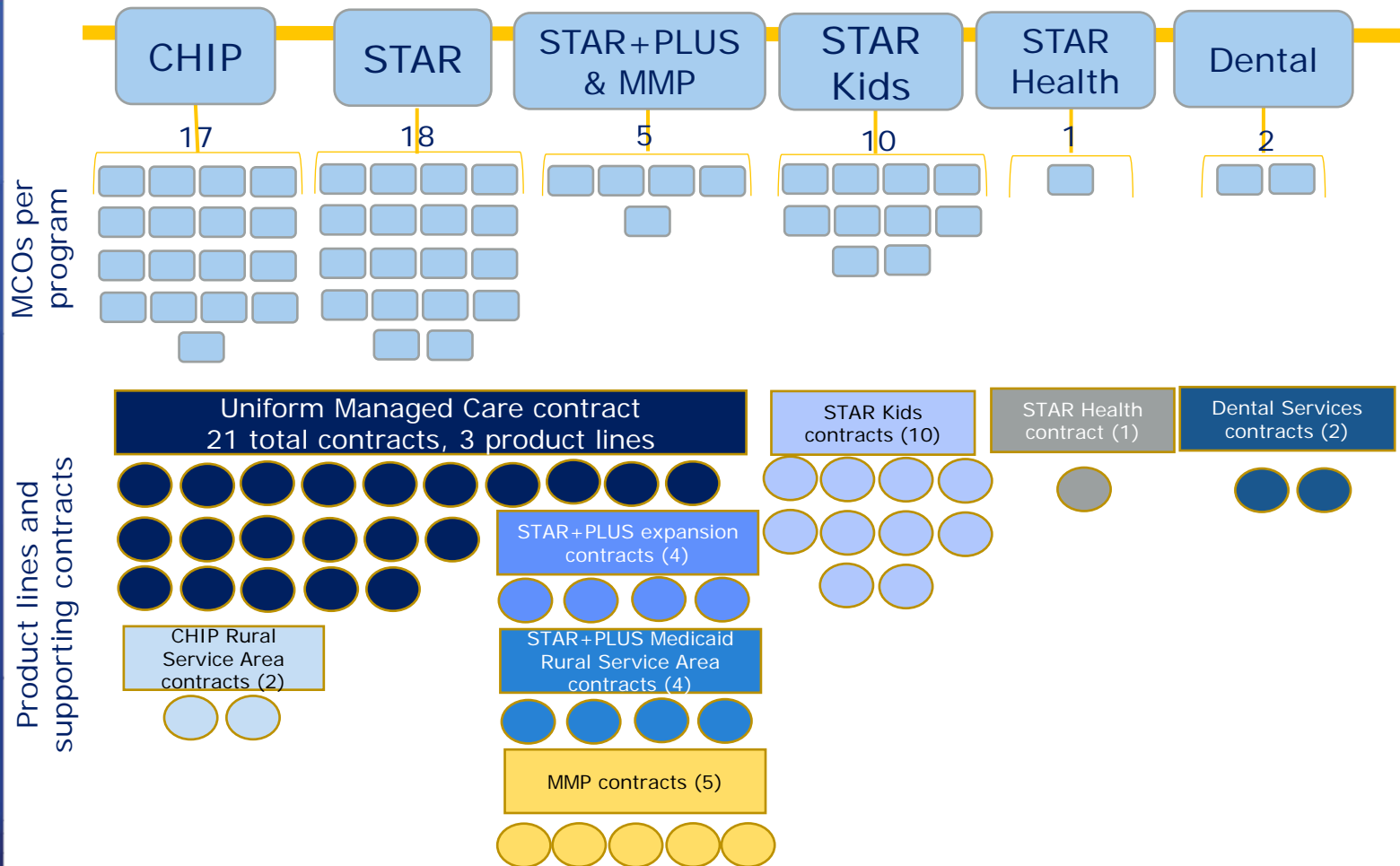


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Managed Care Contracts

An evolving infrastructure

Managed Care Programs





Contract Oversight

Occurs across the contract lifecycle

An integrated horizontal and vertical approach within the organization.

Pre-contract stage

- ✓ Ongoing leadership engagement in the Request for Proposal (RFP) process
- ✓ Comprehensive contract development and structuring
- ✓ Robust readiness reviews and transition process

Management and oversight of the contract

- ✓ Policy and Program Requirements
- ✓ Enrollment Data
- ✓ Performance on Quality Metrics and Initiatives
- ✓ Operational Compliance
- ✓ Financial compliance
- ✓ Utilization Reviews

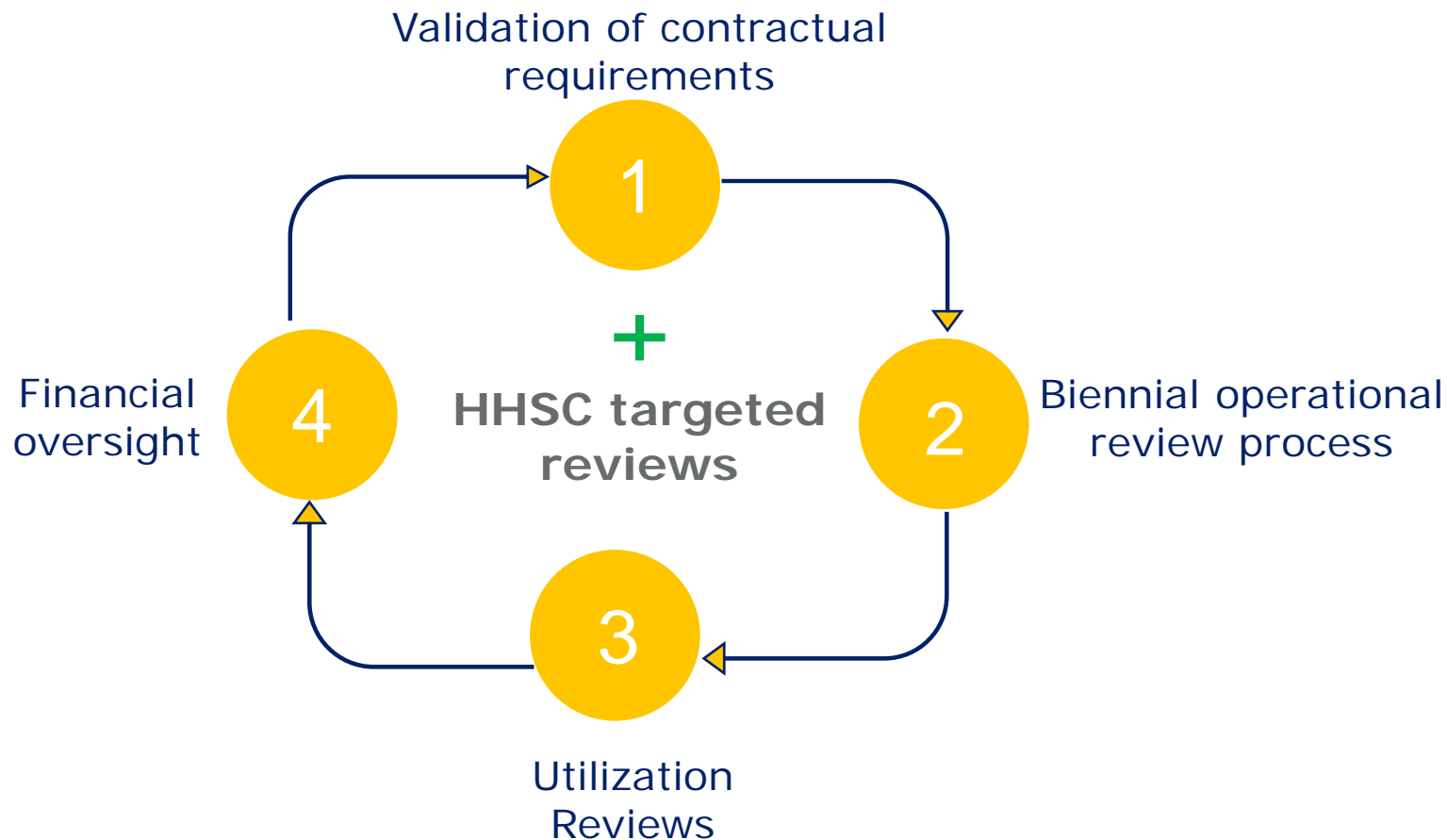


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Contract oversight tools

Span a multitude of areas

Administered by various expertise across the organization.





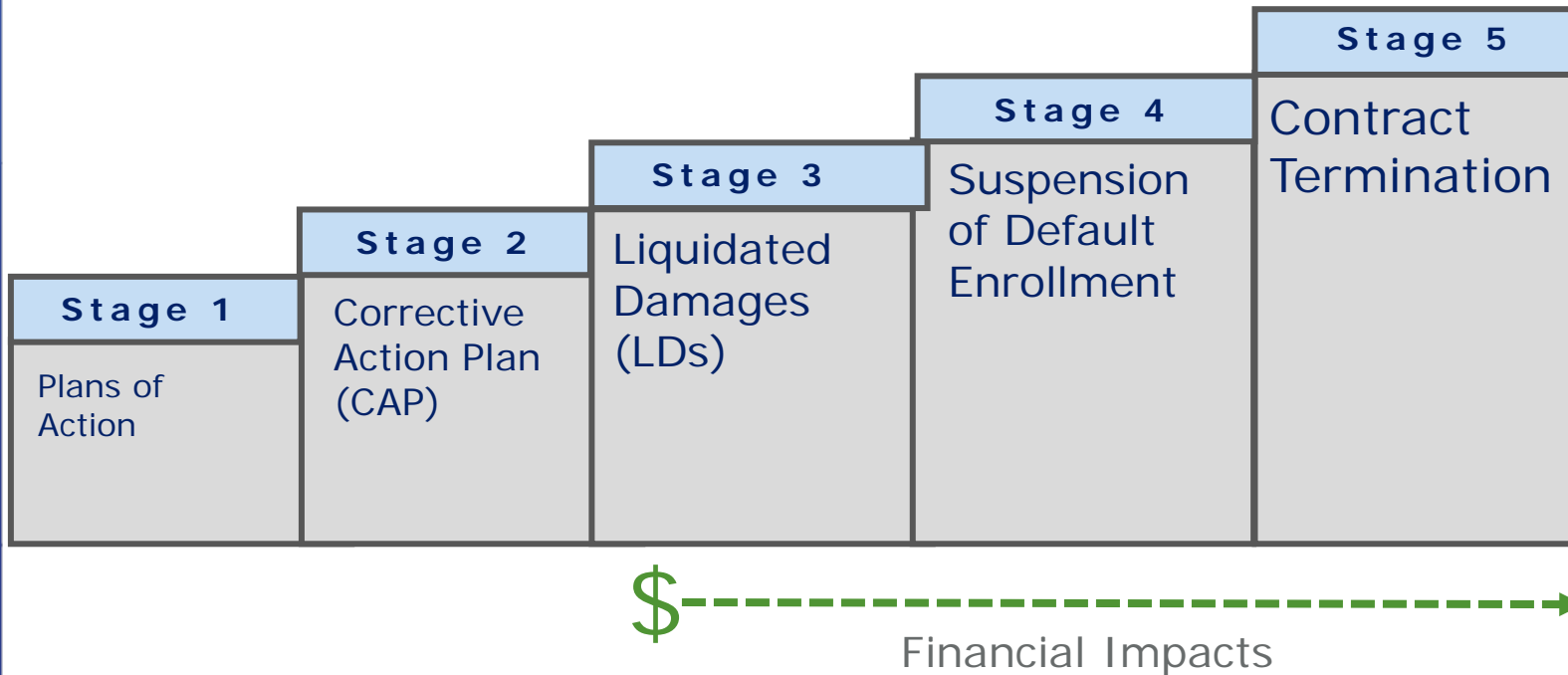
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Addressing non-compliance

Graduated Remedy Process

Multiple stages to address non-compliance discovered via oversight and monitoring.

Increased levels of impact for MCOs.





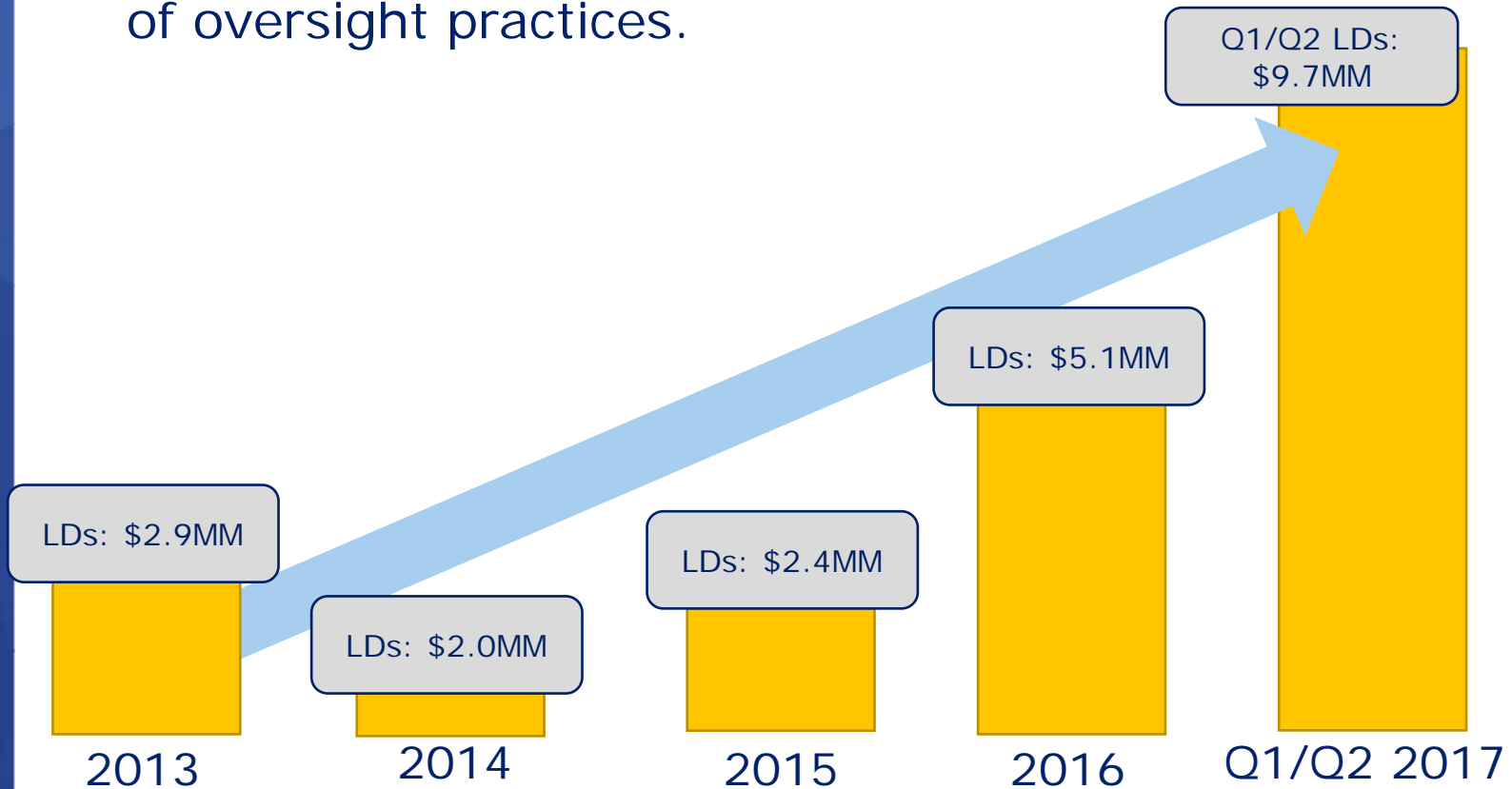
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Other financial impacts

Non-compliance remedies

Example: Liquidated damages

Increasing with ongoing strengthening of oversight practices.





Financial Oversight

High level overview



Contract formation with clear terms

- Set standards for reported financial data
 - ✓ Principles
 - ✓ Timing
 - ✓ Templates
- Cap administrative expenses
- Limit profits



Management by specialized expertise

- Reconcile and validate financial data
- Define scope of annual financial audit based on compliance
- Manage other additional financial audits & reviews



Audits annually & as needed

- Conduct annual audit by two independent contractors for additional data validation
- Conduct supplemental audits or reviews based on other identified issues

Non-compliance discoveries enforced as established in the contract, including liquidated damages or recovery of the Experience Rebate (i.e. recovery of "excess profit").

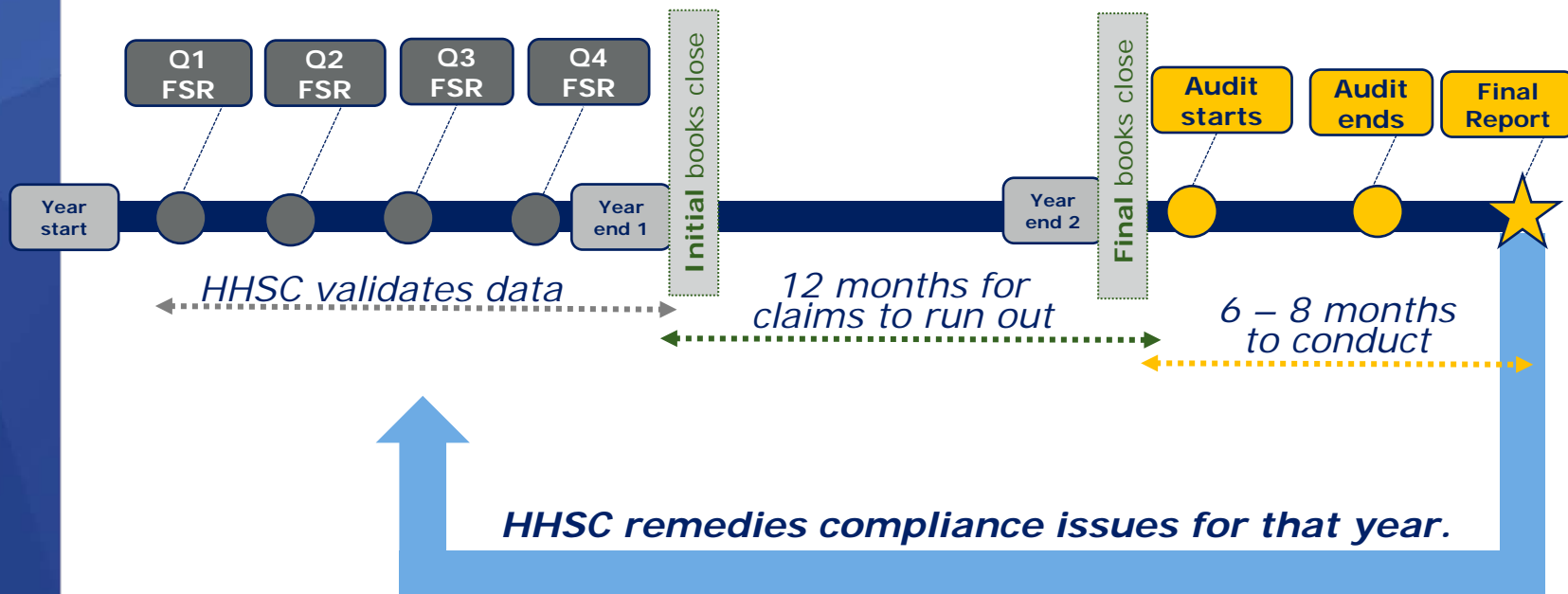


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Financial oversight

Timeline for managing compliance

An 18-20 month audit process post-year end.





Contract financial structure

Safeguards to ensure FISCAL responsibility

Major components are caps on administrative expenses, conversions to income, and rebates on excessive profit.

