House Committee on General Investigating & Ethics

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Procurement Update
SAO Audit Recommendations

All recommendations are implemented, pending further enhancements from the Procurement Improvement Plan

• Ensure scoring is accurate and consistent for future procurements
• Ensure staff comply with proper procedures for scoring proposals and resolving outlier scores
• Retain all documentation for every procurement
• Establish a quality control process to ensure compliance with award justification and documentation requirements
OIG Review Recommendations

HHSC implemented processes that have begun to address issues in the Office of the Inspector General (OIG) review

• Ensure the Health and Human Services Commission’s (HHSC’s) Procurement & Contracting Services (PCS) Division complies with policies and procedures

• Strengthen evaluation and scoring processes to ensure consistency and transparency

• Retain complete and accurate documentation, including nepotism and conflicts of interest disclosure forms

• Seek opportunities to increase fair and open competition
Remediation

• Created independent Compliance and Quality Control (CQC) Division

• HHSC, Department of Information Resources (DIR), and Comptroller of Public Accounts (CPA) developed a comprehensive checklist that includes all requirements from solicitation development to contract award

• Complex procurement operating procedures were updated to reflect current legal and regulatory compliance requirements
Remediation

- CQC now designs score sheets to prevent unallowable scores (zeros and/or blanks) and aggregates evaluator score sheets into final score summaries
- Each individual score sheet and all final score summaries are completed by one CQC analyst and reviewed by a separate analyst to ensure consistency and accuracy
- The Procurement Improvement Plan will include projects designed to further enhance governance, risk management, personnel development, and technology functions
Next Steps & Best Practices

- Fully integrate operating procedures into a redesigned Procurement and Contract Manual that is systematically updated
- Align risk-based organizational resources to ensure effective and efficient workflow
- Enhance reporting capabilities and coordinate, management-level oversight of all procurement and contract activities
- Regularly train agency staff on business and system processes and applications
- Continue building productive relationships with internal and external stakeholders
Medicaid Managed Care
Managed Care Oversight Initiatives

- Network Adequacy and Access to Care
- Complaints Process and Data Analytics
- Strengthening Clinical Oversight
- Outcome Focused Performance Management
- Service Coordination
Network Adequacy

• Improving the accuracy of provider directories
• Addressing the special needs of rural counties
• Increasing the use of telemedicine
• Reducing administrative burden, including process automation*
• Integrating network adequacy data*
• Adding network adequacy standards for Long-term Services and Supports (LTSS) provider types*

* Denotes opportunity recommended by Rider 61(b) Report
Complaints Trending and Analysis

- Standardizing definition and categorization of complaints across HHSC and managed care organizations (MCOs)
- Improving data analysis to efficiently identify patterns and resolve issues early*
- Streamlining the member complaints process*
- Improving transparency by publicly sharing complaints data*
- Enhancing education on the issue resolution process*

* Denotes opportunity recommended by Rider 61(b) Report
Strengthening Clinical Oversight

- Expanding utilization reviews to include STAR Kids and STAR Health Medically Dependent Children Program (MDCP) recipients*
- Collecting and analyzing prior authorization data to inform oversight activities
- Creating a Chief Medical Officer position
- Improving guidance on utilization management and medical necessity determinations*

* Denotes opportunity recommended by Rider 61(b) Report
Outcome Focused Performance Management

- Enhancing onsite operational reviews of MCO performance by refining the process and adding modules for review
- Reviewing required MCO deliverables and streamline when appropriate*
- Continuing to strengthen integration on managed care oversight across divisions*

* Denotes opportunity recommended by Rider 61(b) Report
Service Coordination

- Examining service coordination requirements by product line
  - Initial focus on STAR Health
- Aligning terminology and definitions across product lines
- Enhancing oversight of service coordination activities
Superior Audit Update

HHSC amended contracts on May 15, 2018:

• To clarify bonus practices
• To clarify requirements related to affiliate contracting
• To update language regarding regulations on compensation caps
Contract Financial Oversight

**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”).
Financial Oversight
Timeline for Managing Compliance

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

HHSC validates data

12 months for claims to run out

6 – 8 months to conduct

HHSC remedies compliance issues for that year.
Contract Financial Structure
Safeguards to Ensure Fiscal Responsibility

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

- Expenses in excess of administrative expenses cap
- Net income capped by program
- Excessive profit
  - If profit is 3% < 5%, HHSC recovers 20%
  - If profit is 5% < 7%, HHSC recovers 40%
  - If profit is 7% < 9%, HHSC recovers 60%
  - If profit is 9% < 12%, HHSC recovers 80%
  - If profit is 12% or greater, HHSC recovers 100%

MCOs keep profit to <3%

Experience Rebate