

SUBJECT: Adjusting HHSC auditing procedures, creating electronic visit verification

COMMITTEE: Human Services — committee substitute recommended

VOTE: 8 ayes — Raymond, Frank, Keough, Klick, Miller, Rose, Swanson, Wu

0 nays

1 absent — Minjarez

SENATE VOTE: On final passage, April 18 — 31-0

WITNESSES: No public hearing

BACKGROUND: In 1991, the 72nd Legislature established a Medicaid managed care pilot program. In managed care programs, a managed care organization (MCO) is paid for each client enrolled, and clients receive health care services through a network of providers that have contracted with the MCO. Most of the state's Medicaid population is now enrolled in managed care.

The Health and Human Services Commission (HHSC) contracts with two audit firms for annual agreed-upon procedures (AUP) engagements and periodic performance audits. AUP engagements verify financial reports submitted by MCOs to determine whether those organizations owe money under the state's Medicaid rebate requirements. Performance audits assess the effectiveness of MCO internal controls.

A report issued by the State Auditor's Office in 2016 found that HHSC did not sufficiently follow up on issues identified from AUP engagements and performance audits. Certain individuals contend that the HHSC audit procedures should be adjusted to address major issues identified in audit findings. Further, some parties believe that an electronic visit verification system to ensure the provision of certain services could improve deficiencies that exist within the Medicaid process.

DIGEST: CSSB 894 would amend Health and Human Services Commission

(HHSC) auditing procedures and implement an electronic verification system.

Audit resources management strategy. CSSB 894 would require HHSC to develop and implement an overall strategy to plan, manage, and coordinate audit resources used to verify the accuracy and reliability of program and financial information reported by managed care organizations (MCOs).

The provisions of the bill would not apply to and could not be construed as affecting the conduct of audits by HHSC's Office of Inspector General.

Performance audit selection process and follow-up. HHSC would be required to document the process by which MCOs were selected to be audited, include previous audit coverage as a risk factor, and prioritize the most high-risk MCOs to audit. The commission also would have to establish a process to document its follow-up on negative performance audit findings and verify that MCOs implemented performance audit recommendations. The bill also would require HHSC to establish and implement policies to determine under what circumstances the commission would issue a corrective action plan to an MCO and follow up on the implementation of the plan.

Agreed-upon procedures (AUP) engagements. HHSC would be required to ensure that financial risks identified in AUP engagements were adequately and consistently addressed and to establish policies to determine under what circumstances the commission would issue a corrective action plan.

Pharmacy benefit manager audits. The bill would require HHSC to periodically audit each pharmacy benefit manager that contracted with an MCO and develop, document, and implement a monitoring process to ensure that MCOs resolved negative findings reported in performance audits or AUP engagements.

Cost collection. HHSC would be required to develop, document, and

implement billing processes in the Medicaid and Children's Health Insurance Program (CHIP) services department to ensure that MCOs reimbursed the commission for audit-related services.

HHSC also would have to develop, document, and implement monitoring processes in the Medicaid and CHIP services department to ensure that the commission identified experience rebates deposited in the suspense account, transferred those rebates to appropriate accounts, and resolved disputes of experience rebates claimed by MCOs.

External quality review information. The bill would require HHSC to use the information provided by the external quality review organization, including data from surveys of Medicaid recipients and providers, CHIP enrollees or providers, and caregivers, as well as the validation results of matching paid claims data with medical records. HHSC would have to document how the commission used that information to monitor MCOs.

Security and processing controls over IT systems. HHSC would be required to strengthen user access controls for the accounts receivable tracking system and network folders used to manage experience rebate collections. The commission also would have to document daily reconciliations of deposits in the accounts receivable tracking system to the transactions processed in the cost accounting system for all health and human services agencies and the uniform statewide accounting system. The bill would require HHSC to implement a process to ensure that the commission formally documented all programming changes made to the accounts receivable tracking system and the authorization and testing of the changes.

Electronic verification system. CSSB 894 would require HHSC to implement an electronic visit verification system to verify through a phone, global positioning, or computer-based system that personal care services or attendant care services provided under any Medicaid waiver program were provided to Medicaid recipients. The system would have to verify only the type of service provided; the name of the recipient and the provider; the location, date, and time of the service delivery; and other

information necessary to ensure accurate adjudication of Medicaid claims.

A health care provider would have to use the verification system to document the provision of services, comply with all documentation requirements, comply with laws on confidentiality, and ensure that the commission or MCO could review the documentation at no charge.

The executive commissioner of HHSC would have to adopt certain compliance standards in implementing the system to ensure that reporting was standardized across MCOs and that the time frames for maintenance of data aligned with claims payment time frames.

The bill would require HHSC to inform each Medicaid recipient receiving personal or attendant care services that the provider and the recipient were required to comply with the electronic visit verification system. An MCO also would have to inform recipients of those requirements.

HHSC would have to establish minimum requirements for third-party entities seeking to provide electronic visit verification system services and certify that those entities complied with the requirements before serving a provider.

HHSC or an MCO could not pay a claim for reimbursement for services provided to a recipient unless the information from the electronic visit verification system corresponded with information in the claim. A previously paid claim would be subject to retrospective review and recoupment if unverified.

The bill would require HHSC to create a stakeholder work group composed of representatives of affected health care providers, MCOs, and Medicaid recipients. The commission would periodically solicit from the group input on the ongoing operation of the electronic visit verification system.

The executive commissioner could adopt rules to implement this system.

Notice of proposed recoupment. CSSB 894 would require HHSC to provide a notice of proposed recoupment of overpayment or debt to a hospital at least 90 days before the payment would have to be made.

Effective date. CSSB 894 would take effect September 1, 2017. As soon as practicable after that date, HHSC would have to implement an electronic visit verification system and adopt the rules necessary to implement the provisions of the bill.

NOTES:

According to the Legislative Budget Board's fiscal note, CSSB 894's fiscal implications cannot be determined at this time, but it could result in a significant fiscal impact to the state. The bill could increase operational costs for managed care organizations, depending on the extent to which the Health and Human Services Commission (HHSC) adjusted managed care premiums.

CSSB 894 differs from the Senate-passed version by requiring HHSC to implement an electronic visit verification system to verify that certain Medicaid services were provided.