



John Keel, CPA
State Auditor

A Report on
**Health and Human Services
Commission Contracts**

October 15, 2015

Members of the Legislative Audit Committee:

Senate Bill 20 (84th Legislature) required that, in devising its audit plan, the State Auditor's Office must consider performing audits of Health and Human Services Commission (Commission) contracts that exceed \$100 million in annual value, including contracts between the Commission and managed care organizations. Pursuant to that requirement, the State Auditor's Office compiled a list of Commission contracts with an aggregate value exceeding \$100 million, as well as all contracts for managed care services. Additionally, the State Auditor's Office identified completed or ongoing audit work conducted from September 2011 through June 2015 related to those contracts.

Based on unaudited information from the Commission's Health and Human Services Contract Administration and Tracking System, the State Auditor's Office identified 57 contracts that met the criteria discussed above. Those contracts included:

- Six contracts related to various aspects of operating the Medicaid, Children's Health Insurance, Medical Transportation, and Trauma Facilities programs.
- Six contracts related to information technology and telecommunications services.
- Four contracts related to pharmacy providers for the Vendor Drug Program.
- Forty-one contracts that provide Medicaid managed care services.

According to the Commission, as of June 2015, expenditures for those 57 contracts totaled nearly \$46.1 billion (\$12.7 billion of those expenditures were made in fiscal year 2014). It is important to note that some Commission management and staff have expressed concerns about the accuracy of the expenditure information in the Commission's Health and Human Services Contract Administration and Tracking System. However, for the purposes of this project, the Health and Human Services Contract Administration and Tracking system was the most complete repository of Commission contract data, including expenditures associated with those contracts.

Objective, Scope, and Methodology

The objective of this project was to identify and analyze audit work on Commission contracts exceeding \$100 million in total value, including contracts with managed care organizations.

The project scope included active Commission contracts exceeding \$100 million in total value and all contracts for managed care services, as well as any audit work completed from September 2011 through June 2015, including ongoing audit activities for those contracts. Audit work considered included performance audits, financial audits, and attestation engagements.

This project was not an audit. The project relied on self-reported Commission information regarding contracts and audit-related activities. That information was not subject to the tests and confirmations that would be performed in an audit. However, the information in this report was subject to certain quality control procedures to help ensure accuracy. The following members of the State Auditor's Office staff performed the project:

- Robert Pagenkopf, MBA, CFE (Project Manager)
- Kelly Bratton, MBA, CFSA, CRMA
- Salem Chuah
- Doug Stearns
- Brianna C. Lehman, CPA (Quality Control Reviewer)
- John Young, MPAff (Audit Manager)

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The State Auditor's Office will include the information identified in this report in its risk assessment process for selecting contracts to audit during fiscal year 2016.

A list of the 57 contracts discussed above is attached to this letter. The attachment also includes descriptions of those contracts or the program services provided through those contracts, as well as information on completed or ongoing related audit work.

If you have any questions, please contact John Young, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

Attachment

cc: The Honorable Greg Abbott, Governor
Mr. Chris Traylor, Executive Commissioner, Health and Human Services Commission



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Attachment

Section 1

Summary of Health and Human Services Commission Contracts

Table 1 lists Health and Human Services Commission (Commission) contracts with an aggregate value exceeding \$100 million, as well as all contracts for managed care services. The Commission reported that information as of June 2015. The Commission generated this unaudited list of contracts from its Health and Human Services Contract Administration and Tracking System.

It is important to note that some Commission management and staff have expressed concerns about the accuracy of the expenditure information in the Commission’s Health and Human Services Contract Administration and Tracking System. However, for the purposes of this project, the Health and Human Services Contract Administration and Tracking System was the most complete repository of Commission contract data, including expenditures associated with those contracts.

Table 1

| Summary of Health and Human Services Commission Contracts | | | | |
|--|--------------------------------------|-------------------|---|---|
| | Contractor Name | Contract Number | Description | Total Contract Expenditures as of June 2015 |
| Medicaid, Children’s Health Insurance, Medical Transportation, and Trauma Facilities Programs Contracts | | | | |
| 1 | Maximus Inc. | 529-08-0135-00001 | Medicaid Eligibility Support Services | \$ 474,698,366 |
| 2 | Accenture LLC | 529-14-0125-00003 | Medicaid Claims Administration | 193,096,222 |
| 3 | Logisticare Solutions | 529-11-0004-00002 | Non-emergency Medical Transportation Program Services | 106,087,993 |
| 4 | Department of State Health Services | 529-11-0107-00001 | Vaccines for the Children’s Health Insurance Program | 93,024,640 |
| 5 | Maximus Inc. | 529-10-0005-00001 | Managed Care Enrollment Broker Operations | 63,634,689 |
| 6 | Department of State Health Services | 529-11-0111-00001 | Administer Funding for Trauma Facilities | 0 |
| Subtotal | | | | \$930,541,910 |
| Information Technology Contracts | | | | |
| 7 | Deloitte Consulting LLP | 529-08-0208-00001 | Texas Integrated Eligibility Redesign System Maintenance and Support | \$ 185,553,754 |
| 8 | Department of Information Resources | 529-06-0377-00001 | State Data Center Services | 184,503,677 |
| 9 | Northrop Grumman Systems Corporation | 529-12-0006-00001 | Data Center Services for the Texas Integrated Eligibility Redesign System | 97,039,789 |

Summary of Health and Human Services Commission Contracts

| | Contractor Name | Contract Number | Description | Total Contract Expenditures as of June 2015 |
|--------------------------------------|---|------------------------|--|--|
| 10 | Northrop Grumman Systems Corporation | 529-04-0334-00003 | Texas Integrated Eligibility Redesign System Maintenance and Support | 93,843,760 |
| 11 | SBC Global Services Inc. | 529-07-0124-00001 | Commission Enterprise Telecommunications Services | 58,238,974 |
| 12 | Department of Information Resources | 529-13-0088-00001 | State Data Center Services | 45,407,284 |
| Subtotal | | | | \$664,587,238 |
| Vendor Drug Program Contracts | | | | |
| 13 | US Bioservices Corporation | 529-05-0063-00959 | Vendor Drug Program Pharmacy Provider | \$ 208,666,574 |
| 14 | Accredo Health Group Inc. | 529-05-0063-00956 | Vendor Drug Program Pharmacy Provider | 152,519,961 |
| 15 | Cook Children's Home Health | 529-05-0063-00390 | Vendor Drug Program Pharmacy Provider | 118,545,670 |
| 16 | Premier Kids Care Inc. | 529-05-0063-01419 | Vendor Drug Program Pharmacy Provider | 117,748,963 |
| Subtotal | | | | \$597,481,168 |
| Managed Care Contracts | | | | |
| 17 | Amerigroup Texas - Houston CHIP | 529-12-0002-00019 | Managed Care Services | \$ 4,646,229,948 |
| 18 | Molina Healthcare Inc. | 529-12-0002-00008 | Managed Care Services | 4,477,979,554 |
| 19 | Bankers Reserve Life Insurance Co. of WI | 529-12-0002-00006 | Managed Care Services | 3,999,643,665 |
| 20 | United Healthcare Community Plan of Texas | 529-12-0002-00009 | Managed Care Services | 3,987,507,551 |
| 21 | Superior Health Plan Inc. | 529-12-0002-00007 | Managed Care Services | 3,388,804,994 |
| 22 | Texas Children's Health Plan | 529-12-0002-00014 | Managed Care Services | 2,831,097,919 |
| 23 | Community Health Choice | 529-12-0002-00003 | Managed Care Services | 2,340,551,480 |
| 24 | Superior Health Plan Inc. | 529-06-0293-00001 | Managed Care Services | 2,286,809,975 |
| 25 | DentaQuest Ventures Inc. | 529-12-0003-00002 | Managed Care Services | 2,273,327,742 |
| 26 | MCNA Insurance Company | 529-12-0003-00003 | Managed Care Services | 1,799,134,862 |
| 27 | Parkland Community Health Plan Inc. | 529-12-0002-00004 | Managed Care Services | 1,778,119,672 |
| 28 | Driscoll Children's Health Plan | 529-12-0002-00010 | Managed Care Services | 1,216,384,215 |
| 29 | Amerigroup Insurance Company | 529-12-0002-00015 | Managed Care Services | 1,186,595,091 |

Summary of Health and Human Services Commission Contracts

| | Contractor Name | Contract Number | Description | Total Contract Expenditures as of June 2015 |
|----|--|------------------------|-----------------------|--|
| 30 | SHA LLC (FirstCare) | 529-12-0002-00001 | Managed Care Services | 977,983,423 |
| 31 | Cook Children's Health Plan | 529-12-0002-00002 | Managed Care Services | 951,788,901 |
| 32 | Community First Health Plans | 529-12-0002-00020 | Managed Care Services | 922,158,646 |
| 33 | HealthSpring Life and Health Insurance Company | 529-10-0020-00006 | Managed Care Services | 835,812,345 |
| 34 | Aetna Health Inc. | 529-12-0002-00016 | Managed Care Services | 737,980,590 |
| 35 | El Paso First Health Plans Inc. | 529-12-0002-00013 | Managed Care Services | 485,225,670 |
| 36 | Delta Dental Insurance Company | 529-12-0003-00001 | Managed Care Services | 425,558,574 |
| 37 | Scott and White Health Plan | 529-12-0002-00011 | Managed Care Services | 380,309,232 |
| 38 | Superior Health Plan Inc. | 529-08-0001-00001 | Managed Care Services | 367,664,213 |
| 39 | Blue Cross and Blue Shield of Texas | 529-12-0002-00017 | Managed Care Services | 186,923,192 |
| 40 | Seton Health Plan Inc. | 529-12-0002-00005 | Managed Care Services | 171,479,340 |
| 41 | Amerigroup Texas - Houston CHIP | 529-10-0020-00002 | Managed Care Services | 164,415,607 |
| 42 | United Healthcare Insurance Company | 529-13-0042-00004 | Managed Care Services | 150,936,773 |
| 43 | Molina Healthcare Inc. | 529-10-0020-00005 | Managed Care Services | 132,376,649 |
| 44 | Superior Health Plan Inc. | 529-13-0042-00003 | Managed Care Services | 128,036,691 |
| 45 | Sendero Health Plans Inc. | 529-12-0002-00021 | Managed Care Services | 118,796,397 |
| 46 | Superior Health Plan Inc. | 529-10-0020-00003 | Managed Care Services | 90,267,556 |
| 47 | CHRISTUS Health Plan | 529-12-0002-00018 | Managed Care Services | 85,344,093 |
| 48 | HealthSpring Life and Health Insurance Company | 529-13-0042-00002 | Managed Care Services | 84,339,873 |
| 49 | HealthSpring Life and Health Insurance Company | 529-12-0002-00012 | Managed Care Services | 83,718,203 |
| 50 | Department of State Health Services | 529-13-0023-00001 | Managed Care Services | 64,550,000 |

Summary of Health and Human Services Commission Contracts

| | Contractor Name | Contract Number | Description | Total Contract Expenditures as of June 2015 |
|--------------------------------|--|------------------------|-----------------------|--|
| 51 | Amerigroup Insurance Company | 529-13-0042-00001 | Managed Care Services | 59,653,633 |
| 52 | Molina Healthcare Inc. | 529-08-0001-00002 | Managed Care Services | 13,897,321 |
| 53 | Amerigroup Insurance Company | 529-15-0060-00001 | Managed Care Services | 12,471,083 |
| 54 | Superior Health Plan Inc. | 529-15-0061-00001 | Managed Care Services | 12,293,708 |
| 55 | Molina Healthcare Inc. | 529-15-0058-00001 | Managed Care Services | 12,093,572 |
| 56 | United Healthcare Community Plan of Texas | 529-15-0059-00001 | Managed Care Services | 5,448,224 |
| 57 | HealthSpring Life and Health Insurance Company | 529-15-0057-00001 | Managed Care Services | 5,041,226 |
| Subtotal | | | | \$43,878,751,403 |
| Total for all contracts | | | | \$46,071,361,719 |

Source: Unaudited Information from the Commission.

Selected Information on Health and Human Services Commission Contracts

Selected information on Health and Human Services Commission (Commission) contracts with an aggregate value exceeding \$100 million, as well as all contracts for managed care services is presented below. The number(s) preceding the contractor name correspond to the number(s) in Table 1 in Section 1 of this attachment. In addition, completed or ongoing audit work conducted from September 2011 through June 2015 related to those contracts is summarized below. The State Auditor's Office did not audit the information presented below.

1 - Maximus Inc.

Maximus Inc. provides eligibility support services for the Children's Health Insurance Program, Medicaid, the Supplemental Nutrition Assistance Program, the Temporary Assistance for Needy Families Program, and other state and federal health and human services programs. Services include maintaining a call center to assist clients with inquiries, basic screening information for Commission programs, completing applications, responding to client inquiries, application registration, scheduling client interviews with Commission eligibility determination staff, and resolving client complaints and disputes.

Contract Summary

Contract Number:
529-08-0135-00001

Contract Start Date:
January 2011

Contract End Date:
December 2015

Maximum Contract Value:
\$578,574,049

Total Contract Expenditures as of June 2015:
\$474,698,366

Fiscal Year 2014 Expenditures:
\$97,899,874

Source: Unaudited information from the Commission.

Recent Audit Work

Commission Internal Audit Department:

- *Audit of Social Services Contract Monitoring*; Report No. 12-02-002a; June 5, 2014.

Commission Office of Inspector General:

- *Compliance Examination Retrospective Cost Settlement Enrollment Support Services Interim Agreement – First Period*; Report No. 11-70-529080142-ES-03; May 30, 2014.

Additionally, Section 3 of this attachment lists recently completed audit work that relates to various contractors and contracts. Services provided under this contract may have been audited during those audits.

In-progress Audit Work

Commission Office of Inspector General:

- Compliance audit of retrospective cost settlement enrollment support services.

2 - Accenture LLC

As the claims administrator contractor, Accenture LLC delivers a wide range of Medicaid services to the Commission. The claims administrator:

- Processes Medicaid claims for Texas's Medicaid fee-for-service health care delivery model.
- Is responsible for the receipt, adjudication, and payment or denial of payment of claims.
- Maintains encounter data on Medicaid managed care transactions for use in the evaluation of quality and utilization of services.
- Resolves appeals and complaints for Medicaid claims.
- Processes prior authorization requests.
- Enrolls Medicaid providers.
- Provides Children with Special Health Care Needs Services Program services and other state program services.

Contract Summary

Contract Number:
529-14-0125-00003

Contract Start Date:
August 2014

Contract End Date:
July 2017

Maximum Contract Value:
\$675,200,654

Total Contract Expenditures as of June 2015:
\$193,096,222

Fiscal Year 2014 Expenditures:
\$45,359,234

Source: Unaudited information from the Commission.

Recent Audit Work

Section 3 of this attachment lists recently completed audit work that relates to various contractors and contracts. Services provided under this contract may have been audited during those audits.

In-progress Audit Work

Commission Internal Audit Department:

- Audit of claims administrator contract monitoring.

External auditor:

- Statement on Standards for Attestation Engagements No. 16, Myers and Stauffer, LC.
- Audit of Health Insurance Portability and Accountability Act compliance, Myers and Stauffer, LC.

3 - Logisticare Solutions

Logisticare Solutions is responsible for arranging non-emergency medical transportation services to meet health care needs of eligible clients in selected transportation service areas in support of the Medical Transportation Program. Logisticare Solutions provides:

- Mass transit tickets.
- Demand-response transportation.
- Enrollment of individual transportation participants.
- Meals and lodging.
- Financial services (advanced funds).
- Attendant transportation.
- Call center operations.

Logisticare Solutions also is responsible for ensuring that services are available to all eligible clients who require transportation services. It provides those services through the following:

- Recruiting and contracting with transportation providers, including meal and lodging vendors.
- Payment administration.
- Assessment of service need.
- Document and verification of service need.
- Reservation and trip assignment.
- Quality assurance.
- Administrative oversight and reporting.

Recent Audit Work

External auditor:

- *Agreed-upon Procedures Report for SFY2012*; Davila, Buschhorn and Associates, PC; May 16, 2013.

Contract Summary

Contract Number:
529-11-0004-00002

Contract Start Date:
January 2012

Current Contract End Date:
August 2015

Maximum Contract Value:
Not specified

Total Contract Expenditures as of June 2015:
\$106,087,993

Fiscal Year 2014 Expenditures:
\$36,294,274

Source: Unaudited information from the Commission.

- *Agreed-upon Procedures Report for SFY2013*; DK Partners, PC; November 26, 2014.

In-progress Audit Work

Commission Internal Audit Department:

- Audit of Medical Transportation Program contract monitoring for transportation services.

4 - Department of State Health Services

Under an interagency cooperation contract with the Commission, the Department of State Health Services purchases vaccines for providers in the Children's Health Insurance Program.

The Department of State Health Services purchases, stores, and distributes vaccines using a vaccine delivery system operated by the U.S. Centers for Disease Control and Prevention. The Department of State Health Services calculates vaccine costs three times each year and submits invoices to the Commission for reimbursement.

Contract Summary

Contract Number:
529-11-0107-00001

Contract Start Date:
September 2011

Current Contract End Date:
September 2017

Maximum Contract Value:
\$161,629,820

Total Contract Expenditures as of June 2015:
\$93,024,640

Fiscal Year 2014 Expenditures:
\$38,096,911

Source: Unaudited information from the Commission.

5 - Maximus Inc.

As the enrollment broker for managed care programs, Maximus Inc. provides program management support and call center services for Medicaid managed care, the Children's Health Insurance Program, and the Texas Health Steps program. Specific responsibilities include:

- Providing enrollment services for Medicaid managed care and the Children's Health Insurance Program.
- Providing outreach and information services for the Medicaid managed care, the Children's Health Insurance Program, and the Texas Health Steps Program.
- Maintaining call centers for client support.

Contract Summary

Contract Number:
529-10-0005-00001

Contract Start Date:
December 2013

Current Contract End Date:
August 2016

Maximum Contract Value:
\$191,911,062

Total Contract Expenditures as of June 2015:
\$63,634,689

Fiscal Year 2014 Expenditures:
\$31,401,617

Source: Unaudited information from the Commission.

Recent Audit Work

Commission Office of Inspector General:

- *Compliance Examination Retrospective Cost Settlement Enrollment Broker Services Interim Agreement – First Period*; Report No. 11-70-529080141-EB-03; May 30, 2014.

External auditors:

- *Maximus Risk Assessment*; Myers and Stauffer, LC; October 20, 2014.

Additionally, Section 3 of this attachment lists recently completed audit work that relates to various contractors and contracts. Services provided under this contract may have been audited during those audits.

In-progress Audit Work

Commission Office of Inspector General:

- Compliance audit of retrospective cost settlement enrollment broker services.

6 - Department of State Health Services

The Department of State Health Services administers an account called the “designated trauma facility and emergency medical services account.” The Department of State Health Services transfers the funds allocated to that account to the Commission through an interagency contract (as authorized under Texas Health and Safety Code, Chapter 780). The Commission then disburses those funds to eligible hospitals that the Department of State Health Services has designated as trauma care facilities.

The Commission considers this interagency contract to be a revenue contract because there are no imposed payment obligations upon the Commission. As a result, there are no expenditures shown under this contract.

Contract Summary

Contract Number:
529-11-0111-00001

Contract Start Date:
September 2011

Current Contract End Date:
August 2015

Maximum Contract Value:
\$541,860,100

Total Contract Expenditures as of June 2015:
\$0

Fiscal Year 2014 Expenditures:
\$0

Source: Unaudited information from the Commission.

7 - Deloitte Consulting LLP

The Texas Integrated Eligibility Redesign System (TIERS) integrates and supports the eligibility determination processes for many health and human services programs. TIERS is intended to enable and support improved customer service, greater access to services, reduced paperwork, enhanced fraud protection, improved efficiency for Commission personnel, and increased flexibility for adapting to changes in laws and policies.

The primary objectives of the Commission's TIERS software development and technical support services agreement with Deloitte Consulting, LLP include the following:

- To improve the delivery of service to users and clients while effectively containing costs.
- To ensure that TIERS is kept current with existing technologies.
- To improve responsiveness to a changing environment.

Recent Audit Work

External auditor:

- *TFA-001 Annual Financial Statement Audit Report – Schedules of Expenses and Fees Under Contract Number 529-08-0208-00001 Between Deloitte Consulting LLP and the Health and Human Services Commission of the State of Texas; Horne LLP; June 20, 2014.*

Additionally, Section 3 of this attachment lists recently completed audit work that relates to various contractors and contracts. Services provided under this contract may have been audited during those audits.

Contract Summary

Contract Number:
529-08-0208-00001

Contract Start Date:
October 2010

Current Contract End Date:
June 2018

Maximum Contract Value:
\$327,562,188

Total Contract Expenditures as of June 2015:
\$185,553,754

Fiscal Year 2014 Expenditures:
\$53,575,284

Source: Unaudited information from the Commission.

8 and 12 - Department of Information Resources

The 79th Legislature required the Department of Information Resources to (1) establish statewide data center consolidation requirements, (2) determine which state agencies would participate in that initiative, and (3) outsource data center services to an external party. As a result of those directives, the Department of Information Resources is the primary contractor with the state data center partners, and it has interagency contracts with the state agencies that participate in the state data centers.

As of June 2015, the Commission had two interagency contracts with the Department of Information Resources. The Commission's 2006 interagency contract was the original interagency contract for data center services received through a Department of Information Resources contract with IBM. The Department of Information Resources terminated its contract with IBM effective April 30, 2012, because IBM did not deliver services according to the terms of the contract. The Department of Information Resources then established contracts with new third-party vendors for data center services; that resulted in the 2013 interagency contract between the Department of Information Resources and the Commission.

The Commission is in the process of closing the original interagency contract. See Table 2 for additional details on the interagency contracts.

Table 2

| Interagency Contracts Between the Department of Information Resources and the Commission | | | | | |
|--|---------------------|-------------------|-------------------------------|---|-------------------------------|
| Contract Number | Contract Start Date | Contract End Date | Total Maximum Contract Amount | Total Contract Expenditures as of June 2015 | Fiscal Year 2014 Expenditures |
| 529-06-0377-00001 | March 2006 | August 2016 | \$284,109,937 | \$184,503,677 | \$0 |
| 529-13-0088-00001 | April 2013 | August 2020 | \$196,461,423 | \$45,407,284 | \$28,466,034 |

Source: Unaudited information from the Commission.

9 - Northrop Grumman Systems Corporation

Under this contract, Northrop Grumman Systems Corporation procures TIERS data center services that will assist in efforts to obtain ongoing managed services for the TIERS/Eligibility Supporting Technology infrastructure.

Northrop Grumman Systems Corporation is expected to leverage existing tools, processes, and methodologies the Commission uses and to provide recommendations for any updates and changes to those tools, processes, and methodologies.

According to the Commission, TIERS was granted an exemption from the state data center and is housed in the Commission's Winters Data Center.

Recent Audit Work

Section 3 of this attachment lists recently completed audit work that relates to various contractors and contracts. Services provided under this contract may have been audited during those audits.

Contract Summary

Contract Number:
529-12-0006-00001

Contract Start Date:
December 2012

Current Contract End Date:
March 2018

Maximum Contract Value:
\$114,309,015

**Total Contract Expenditures as of
June 2015:**
\$97,039,789

Fiscal Year 2014 Expenditures:
\$57,677,465

Source: Unaudited information
from the Commission.

10 - Northrop Grumman Systems Corporation

Under this contract, Northrop Grumman Systems Corporation is responsible for data processing support for TIERS, including developing, implementing, and maintaining the TIERS hardware infrastructure.

Recent Audit Work

Section 3 of this attachment lists recently completed audit work that relates to various contractors and contracts. Services provided under this contract may have been audited during those audits.

Contract Summary

Contract Number:
529-04-0334-00003

Contract Start Date:
October 2007

Current Contract End Date:
August 2016

Maximum Contract Value:
\$160,885,889

Total Contract Expenditures as of June 2015:
\$93,843,760

Fiscal Year 2014 Expenditures:
\$14,174

Source: Unaudited information from the Commission.

11 - SBC Global Services Inc.

Through this contract, SBC Global Services Inc. provides telecommunications services to all five health and human services agencies. Telecommunications services include the following:

- Moves, additions, or changes to a telephone handset.
- Time and material costs for repairs.
- Other projects, such as setting up new phone sites.

This contract is part of the Commission's procurement for the delivery, installation, configuration, testing, maintenance, and turnover of an enterprise telecommunications system.

Recent Audit Work

State Auditor's Office:

- *An Audit Report on the Telecommunications Managed Services Contract at the Health and Human Services Commission, State Auditor's Office Report No. 15-017, December 2014.*

Contract Summary

Contract Number:
529-07-0124-00001

Contract Start Date:
September 2008

Current Contract End Date:
August 2015

Maximum Contract Value:
\$105,415,185

Total Contract Expenditures as of June 2015:
\$58,238,974

Fiscal Year 2014 Expenditures:
\$9,822,747

Source: Unaudited information from the Commission.

13 through 16 - Vendor Drug Program Pharmacy Provider Contracts

The Vendor Drug Program provides statewide access to covered outpatient drugs for clients enrolled in:

- Medicaid.
- The Children’s Health Insurance Program (CHIP).
- The Children with Special Health Care Needs Services Program operated by the Department of State Health Services.
- The Kidney Health Care Program operated by the Department of State Health Services.
- The Texas Women’s Health Program.

Pharmacy providers that want to participate in the Medicaid/CHIP Vendor Drug Program must contract with the Vendor Drug Program prior to providing outpatient prescription services.

Table 3 lists the Commission vendor drug program pharmacy provider contracts with total expenditures exceeding \$100 million.

Table 3

| Vendor Drug Program Pharmacy Provider Contracts Exceeding \$100 Million | | | | | |
|---|-------------------|---------------------|----------------------------|---|-------------------------------|
| Contractor Name | Contract Number | Contract Start Date | Contract End Date | Total Contract Expenditures as of June 2015 | Fiscal Year 2014 Expenditures |
| US Bioservices Corporation | 529-05-0063-00959 | April 2005 | Not specified ^a | \$ 208,666,574 | \$ 7,894,795 |
| Accredo Health Group Inc. | 529-05-0063-00956 | April 2005 | Not specified ^a | 152,519,961 | 11,872,069 |
| Cook Children’s Home Health | 529-05-0063-00390 | April 2005 | Not specified ^a | 118,545,670 | 12,462,205 |
| Premier Kids Care Inc. | 529-05-0063-01419 | May 2005 | Not specified ^a | 117,748,963 | 13,051,155 |
| Totals | | | | \$597,481,168 | \$45,280,224 |
| ^a Vendor Drug Program pharmacy provider contracts do not have a contract end date. However, as part of the Affordable Care Act (Title 42, Code of Federal Regulations, Section 455.414), the “State Medicaid agency must revalidate the enrollment of all providers regardless of type at least every five years.” As a result, these contracts will be re-enrolled with an effective term end date of five years from the execution signature date, to be no later than March 2016. | | | | | |

Source: Unaudited information from the Commission.

17 through 57 - Managed Care Services Contracts

Managed care is a health care delivery system organized to manage costs, utilization, and quality of care. Managed care provides for the delivery of Medicaid health benefits and additional services through contracted arrangements between the Commission and managed care organizations that accept a set, per member, per month (capitation) payment. The State operates the following managed care services programs:

No Maximum Contract Value

Contracts with managed care organizations are considered to be enrollment-based contracts, and payments are based on a contractually stipulated capitated rate. Therefore, those contracts do not have a maximum contract value.

- **State of Texas Access Reform (STAR)** - Medicaid for children, newborns, pregnant women, and some families and children.
- **STAR+PLUS** - Medicaid for people who have disabilities or are age 65 or older.
- **STAR Health** – Medicaid for children who receive Medicaid coverage through the Department of Family and Protective Services.
- **NorthSTAR** – A publicly funded managed care approach to the delivery of mental health and chemical dependency services to the eligible residents of Dallas, Ellis, Collin, Hunt, Navarro, Rockwall, and Kaufman counties. NorthSTAR is under the direction of the Department of State Health Services.
- **Medicare-Medicaid Plans** - Medicare-Medicaid health plans are for people who have both Medicare and Medicaid coverage (known as dual eligibles) in Bexar, Dallas, El Paso, Harris, Hidalgo, and Tarrant counties.
- **Children’s Health Insurance Program (CHIP)** - Designed for families who have too much income or too many assets to qualify for Medicaid but cannot afford to buy private health insurance.
- **Dental Services** - Children and young adults age 20 and younger with Medicaid or CHIP coverage receive dental services through a managed care dental plan.

As of June 2015, the Commission administered managed care services through 40 contracts with managed care organizations and one contract with the Department of State Health Services (see Table 4).

Table 4

| Managed Care Services Contracts as of June 2015 | | | | | | |
|---|-------------------|---------------------|-------------------|---|-------------------------------|-----------------------|
| Contractor Name | Contract Number | Contract Start Date | Contract End Date | Total Contract Expenditures as of June 2015 | Fiscal Year 2014 Expenditures | Programs |
| Amerigroup Texas - Houston CHIP | 529-12-0002-00019 | September 2011 | August 2015 | \$ 4,646,229,948 | \$ 1,184,635,603 | CHIP, STAR, STAR+PLUS |
| Molina Healthcare Inc. | 529-12-0002-00008 | September 2011 | August 2015 | 4,477,979,554 | 1,313,138,127 | CHIP, STAR, STAR+PLUS |
| Bankers Reserve Life Insurance Co. of WI | 529-12-0002-00006 | September 2011 | August 2015 | 3,999,643,665 | 1,281,796,068 | STAR, STAR+PLUS |
| United Healthcare Community Plan of Texas | 529-12-0002-00009 | September 2011 | August 2015 | 3,987,507,551 | 1,159,832,155 | CHIP, STAR, STAR+PLUS |
| Superior Health Plan Inc. | 529-12-0002-00007 | September 2011 | August 2015 | 3,388,804,994 | 890,634,294 | CHIP, STAR, STAR+PLUS |
| Texas Children's Health Plan | 529-12-0002-00014 | September 2011 | August 2015 | 2,831,097,919 | 848,272,172 | CHIP, STAR |
| Community Health Choice | 529-12-0002-00003 | September 2011 | August 2015 | 2,340,551,480 | 708,955,486 | CHIP, STAR |
| Superior Health Plan Inc. | 529-06-0293-00001 | February 2007 | August 2015 | 2,286,809,975 | 362,588,655 | STAR Health |
| DentaQuest Ventures Inc. | 529-12-0003-00002 | September 2011 | August 2015 | 2,273,327,742 | 676,968,897 | Dental Services |
| MCNA Insurance Company | 529-12-0003-00003 | September 2011 | August 2015 | 1,799,134,862 | 544,859,911 | Dental Services |
| Parkland Community Health Plan Inc. | 529-12-0002-00004 | September 2011 | August 2015 | 1,778,119,672 | 529,363,604 | CHIP, STAR |
| Driscoll Children's Health Plan | 529-12-0002-00010 | September 2011 | August 2015 | 1,216,384,215 | 363,062,790 | CHIP, STAR |
| Amerigroup Insurance Company | 529-12-0002-00015 | September 2011 | August 2015 | 1,186,595,091 | 390,732,249 | STAR |
| SHA LLC (FirstCare) | 529-12-0002-00001 | September 2011 | August 2015 | 977,983,423 | 304,249,176 | CHIP, STAR |

| Managed Care Services Contracts as of June 2015 | | | | | | |
|---|-------------------|---------------------|-------------------|---|-------------------------------|-----------------|
| Contractor Name | Contract Number | Contract Start Date | Contract End Date | Total Contract Expenditures as of June 2015 | Fiscal Year 2014 Expenditures | Programs |
| Cook Children's Health Plan | 529-12-0002-00002 | September 2011 | August 2015 | 951,788,901 | 290,006,860 | CHIP, STAR |
| Community First Health Plans | 529-12-0002-00020 | September 2011 | August 2015 | 922,158,646 | 288,066,816 | CHIP, STAR |
| HealthSpring Life and Health Insurance Company | 529-10-0020-00006 | June 2012 | August 2015 | 835,812,345 | 272,389,399 | STAR+PLUS |
| Aetna Health Inc. | 529-12-0002-00016 | September 2011 | August 2015 | 737,980,590 | 232,194,780 | CHIP, STAR |
| El Paso First Health Plans Inc. | 529-12-0002-00013 | September 2011 | August 2015 | 485,225,670 | 141,548,133 | CHIP, STAR |
| Delta Dental Insurance Company | 529-12-0003-00001 | September 2011 | August 2015 | 425,558,574 | 2,152 | Dental Services |
| Scott and White Health Plan | 529-12-0002-00011 | September 2011 | August 2015 | 380,309,232 | 131,459,087 | STAR |
| Superior Health Plan Inc. | 529-08-0001-00001 | January 2010 | August 2015 | 367,664,213 | 118,750,736 | CHIP |
| Blue Cross and Blue Shield of Texas | 529-12-0002-00017 | September 2011 | August 2015 | 186,923,192 | 59,401,982 | CHIP, STAR |
| Seton Health Plan Inc. | 529-12-0002-00005 | September 2011 | August 2015 | 171,479,340 | 52,471,245 | CHIP, STAR |
| Amerigroup Texas - Houston CHIP | 529-10-0020-00002 | June 2010 | August 2015 | 164,415,607 | 0 | STAR+PLUS |
| United Healthcare Insurance Company | 529-13-0042-00004 | December 2013 | August 2017 | 150,936,773 | 0 | STAR+PLUS |
| Molina Healthcare Inc. | 529-10-0020-00005 | June 2010 | August 2015 | 132,376,649 | 0 | STAR+PLUS |
| Superior Health Plan Inc. | 529-13-0042-00003 | December 2013 | August 2017 | 128,036,691 | 0 | STAR+PLUS |
| Sendero Health Plans Inc. | 529-12-0002-00021 | September 2011 | August 2015 | 118,796,397 | 36,670,666 | CHIP, STAR |
| Superior Health Plan Inc. | 529-10-0020-00003 | June 2010 | August 2015 | 90,267,556 | 7,800 | STAR+PLUS |

| Managed Care Services Contracts as of June 2015 | | | | | | |
|---|-------------------|---------------------|-------------------|---|-------------------------------|-------------------------|
| Contractor Name | Contract Number | Contract Start Date | Contract End Date | Total Contract Expenditures as of June 2015 | Fiscal Year 2014 Expenditures | Programs |
| CHRISTUS Health Plan | 529-12-0002-00018 | September 2011 | August 2015 | 85,344,093 | 23,774,587 | CHIP, STAR |
| HealthSpring Life and Health Insurance Company | 529-13-0042-00002 | December 2013 | August 2017 | 84,339,873 | 0 | STAR+PLUS |
| HealthSpring Life and Health Insurance Company | 529-12-0002-00012 | September 2011 | August 2015 | 83,718,203 | 0 | STAR+PLUS |
| Department of State Health Services | 529-13-0023-00001 | September 2012 | August 2016 | 64,550,000 | 21,500,000 | NorthSTAR |
| Amerigroup Insurance Company | 529-13-0042-00001 | December 2013 | August 2017 | 59,653,633 | 0 | STAR+PLUS |
| Molina Healthcare Inc. | 529-08-0001-00002 | January 2010 | August 2015 | 13,897,321 | 0 | CHIP |
| Amerigroup Insurance Company | 529-15-0060-00001 | March 2015 | December 2018 | 12,471,083 | 0 | Medicare-Medicaid Plans |
| Superior Health Plan Inc. | 529-15-0061-00001 | March 2015 | December 2018 | 12,293,708 | 0 | Medicare-Medicaid Plans |
| Molina Healthcare Inc. | 529-15-0058-00001 | March 2015 | December 2018 | 12,093,572 | 0 | Medicare-Medicaid Plans |
| United Healthcare Community Plan of Texas | 529-15-0059-00001 | March 2015 | December 2018 | 5,448,224 | 0 | Medicare-Medicaid Plans |
| HealthSpring Life and Health Insurance Company | 529-15-0057-00001 | March 2015 | December 2018 | 5,041,226 | 0 | Medicare-Medicaid Plans |
| Totals | | | | \$43,878,751,403 | \$12,227,333,430 | |

Source: Unaudited information from the Commission.

Recent Audit Work

Commission Office of Inspector General:

- *Agreed-Upon Procedures Report on Evercare (United Healthcare Community Plan of Texas);* Report No. 11-80-19120083613-MO-02; August 1, 2012.
- *Performance Audit Report on Driscoll Health Plan;* Report No. 13-70-52962806-11-MC-02; November 25, 2013 (revised report December 15, 2014).
- *Performance Audit Report on Texas Children’s Health Plan;* Report No. 11-80-17404862645-09-MO-02; March 21, 2014.
- *Performance Audit Report on Parkland Community Health Plan;* Report No. 13-70-529628012-11-MC-02; November 17, 2014.
- *Performance Audit Report on Molina Healthcare of Texas, Inc.;* Report No. 13-70-529060280-11-MC-03; March 4, 2015.
- *Performance Audit Report on Cook Children’s Health Plan;* Report No. 13-70-529628003-11-MC-02; August 3, 2015.

External Auditors:

- *Independent Accountant’s Report on Applying Agreed-Upon Procedures – DentaQuest;* PHBV Partners, LLP; February 17, 2012.
- *Independent Accountant’s Report on Applying Agreed-Upon Procedures – HealthSpring;* PHBV Partners, LLP; February 17, 2012.
- *Independent Accountant’s Report on Applying Agreed-Upon Procedures – MCNA;* PHBV Partners, LLP; February 17, 2012.

The Commission engaged DK Partners, PC (formerly Davila, Buschhorn and Associates, PC) and Myers and Stauffer, LC (which acquired the attest business unit of PHBV Partners, LLP in 2013) to:

- Conduct attestation engagements to review financial statistical reports that managed care organizations prepare. Financial statistical reports are modified income statements with a focus on items related to the Commission’s contract.
- Prepare risk assessments of each managed care organization. The risk assessments serve as the basis for the Commission to identify the highest priority risks that would then be developed into performance audits of the managed care organizations. In fiscal year 2014, a risk assessment was completed for all managed care organizations that the Commission management had asserted were actively providing managed care services.

- Conduct performance audits of the managed care organizations. The following performance audits were conducted:
 - ♦ *Independent Accountant's Report on a Performance Audit of Seton Health Plan for the Period September 1, 2010 through June 30, 2012*; PHBV Partners LLP; October 30, 2012.
 - ♦ *United Healthcare Community Plan Performance Audit Report for State Fiscal Year 2012 through February 28, 2013*; Davila, Buschhorn & Associates, PC; May 3, 2013.
 - ♦ *Amerigroup Texas, Inc. and Amerigroup Insurance Company Performance Audit Report for State Fiscal Year 2013 through October 20, 2014*; DK Partners, PC; October 20, 2014.
 - ♦ *Independent Accountant's Report on a Performance Audit of Seton Health Plan for the Period September 1, 2013 through July 31, 2014*; Myers and Stauffer, LC; October 31, 2014.
 - ♦ *Scott & White Health Plan Performance Audit Report for State Fiscal Year 2013 through October 20, 2014*; DK Partners, PC; November 26, 2014.
 - ♦ *Texas Children's Health Plan Performance Audit Report for State Fiscal Year 2013 through November 5, 2014*; DK Partners, PC; December 10, 2014.
 - ♦ *Independent Accountant's Report on a Performance Audit of Parkland Community Health Plan, Inc. for the Period September 1, 2013 through July 31, 2014*; Myers and Stauffer, LC; December 15, 2014.
 - ♦ *Aetna Health Inc. Performance Audit Report for State Fiscal Year 2013 through November 20, 2014*; DK Partners, PC; December 18, 2014.
 - ♦ *Independent Accountant's Report on a Performance Audit of Superior HealthPlan, Inc. and Bakers Reserve Life Insurance Company of Wisconsin (dba Superior HealthPlan Network) for the Period September 1, 2013 through July 31, 2014*; Myers and Stauffer, LC; December 22, 2014.
 - ♦ *Independent Accountant's Report on a Performance Audit of SHA, L.L.C (d.b.a. FirstCare) for the Period September 1, 2013 through July 31, 2014*; Myers and Stauffer, LC; January 9, 2015.
 - ♦ *Molina Healthcare of Texas, Inc. Performance Audit Report for State Fiscal Year 2013 through December 9, 2014*; DK Partners, PC; February 9, 2015.

- ♦ *Independent Accountant's Report on a Performance Audit of DentaQuest USA Insurance Company, Inc. for Periods Within the Date Range March 1, 2012 through December 31, 2014; Myers and Stauffer, LC; February 25, 2015.*

Table 5 summarizes attestation engagements related to managed care organizations. The attestation engagements are performed on the financial statistical reports that the managed care organizations submit. Those financial statistical reports are due to the Commission one year following the completion of a state fiscal year. The financial statistical reports for fiscal year 2014 are currently being evaluated by external auditors (see the in-progress audit work section following Table 5).

Table 5

| Attestation Engagements on Managed Care Organizations' Financial Statistical Reports | | | | |
|--|----------------------------------|------------------|--------------------------------------|--------------------------------|
| ✓ = An engagement was conducted N/A = Commission management asserted that the managed care organization did not provide services during the reporting periods | | | | |
| Entity ^a | Scope of Attestation Engagements | | | |
| | Fiscal Year 2010 | Fiscal Year 2011 | September 2011 through February 2012 | March 2012 through August 2013 |
| Aetna Better Health, Inc. | ✓ | ✓ | ✓ | ✓ |
| Amerigroup of Texas, Inc. | ✓ | ✓ | ✓ | ✓ |
| Blue Cross Blue Shield of Texas | N/A | N/A | N/A | ✓ |
| CHRISTUS Health Plan | N/A | N/A | N/A | ✓ |
| Community First Health Plans, Inc. | ✓ | ✓ | ✓ | ✓ |
| Community Health Choice | ✓ | ✓ | ✓ | ✓ |
| Cook Children's Health Plan | ✓ | ✓ | ✓ | ✓ |
| Delta Dental of California | ✓ | ✓ | ✓ | ✓ ^b |
| DentaQuest USA Insurance Company, Inc. | N/A | N/A | N/A | ✓ |
| Driscoll Children's Health Plan | ✓ | ✓ | ✓ | ✓ |
| El Paso First Health Plans, Inc. | ✓ | ✓ | ✓ | ✓ |
| Evercare of Texas, LLC | ✓ | N/A | N/A | N/A |
| HealthSpring Life and Health Insurance Company, Inc. | N/A | N/A | N/A | ✓ |
| MCNA Insurance Company | N/A | N/A | N/A | ✓ |
| Molina Healthcare of Texas, Inc. | ✓ | ✓ | ✓ | ✓ |
| Parkland Community Health Plan | ✓ | ✓ | ✓ | ✓ |
| Scott and White Health Plan | N/A | N/A | N/A | ✓ |

| Attestation Engagements on Managed Care Organizations' Financial Statistical Reports | | | | |
|--|----------------------------------|------------------|--------------------------------------|--------------------------------|
| ✓ = An engagement was conducted N/A = Commission management asserted that the managed care organization did not provide services during the reporting periods | | | | |
| Entity ^a | Scope of Attestation Engagements | | | |
| | Fiscal Year 2010 | Fiscal Year 2011 | September 2011 through February 2012 | March 2012 through August 2013 |
| Sendero Health Plans, Inc. | N/A | N/A | N/A | ✓ |
| Seton Health Plan, Inc. | ✓ | ✓ | ✓ | ✓ |
| SHA, LLC (FirstCare) | ✓ | ✓ | ✓ | ✓ |
| Superior Health Plan, Inc. | ✓ | ✓ | ✓ | ✓ |
| Texas Children's Health Plan, Inc. | ✓ | ✓ | ✓ | ✓ |
| United Healthcare Community Plan | ✓ | ✓ | ✓ | ✓ |
| ^a This list of entities in this table are associated with (for example, as affiliates or subsidiaries) the managed care organizations in Tables 1 and 4 above. Managed care organizations may provide services under various entity or subsidiary names. ^b The scope of this engagement was March 2012 through March 2013. Commission management asserted that, after March 2013, Delta Dental did not provide managed care services. | | | | |

Source: Unaudited information from the Commission.

In-progress Audit Work

Commission Internal Audit Department:

- An audit of managed care contract management.

Commission Office of Inspector General:

- Performance audit of Amerigroup Texas, Inc.
- Performance audit of Community Health Choice.
- Performance audit of Cook Children's Health Plan.

External Auditors:

- Audit of long-term care services and support of selected managed care organizations, Myers and Stauffer, LC.
- Attestation engagements on managed care organizations' financial statistical reports, DK Partners, PC and Myers and Stauffer, LC. The Commission has asserted that the scope of the attestation engagements currently being conducted will be for fiscal year 2014.

Audit Work that Involves Multiple Contracts

In addition to audit work on specific contracts discussed in Sections 1 and 2 of this attachment, many other audits are performed on Medicaid and the Children's Health Insurance Program that may involve various contractors and contracts.

A list of recently completed audit work on Medicaid and the Children's Health Insurance Program that covers multiple contractors and contracts is presented below. Because those audits focused on the program level, they may involve contractors and contracts listed in Table 1 in Section 1 of this attachment.

Recent Audit Work

State Auditor's Office:

- *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2011*, State Auditor's Office Report No. 12-328, February 2012.
- *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2011*, State Auditor's Office Report No. 12-555, February 2012.
- *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2012*, State Auditor's Office Report No. 13-322, February 2013.
- *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2012*, State Auditor's Office Report No. 13-555, February 2013.
- *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2013*, State Auditor's Office Report No. 14-325, February 2014.
- *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2013*, State Auditor's Office Report No. 14-555, February 2014.
- *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2014*, State Auditor's Office Report No. 15-313, February 2015.
- *State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2014*, State Auditor's Office Report No. 15-555, February 2015.

Commission Internal Audit Department:

- *Audit of Health and Human Services Enterprise Information Security; Report No. 11-01-004; December 23, 2011.*
- *Audit of Texas Integrated Eligibility Redesign System (TIERS) Change Management; Report No. 11-01-010; March 9, 2012.*
- *Audit of Texas Integrated Eligibility Redesign System (TIERS) Data Processing and Integrity; Report No. 14-02-001; February 27, 2015.*