

A BILL TO BE ENTITLED

AN ACT

relating to the Health and Human Services Commission's strategy for managing audit resources, including procedures for auditing and collecting payments from Medicaid managed care organizations.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 533, Government Code, is amended by adding Subchapter B to read as follows:

SUBCHAPTER B. STRATEGY FOR MANAGING AUDIT RESOURCES

Sec. 533.051. DEFINITIONS. In this subchapter:

(1) "Accounts receivable tracking system" means the system the commission uses to track experience rebates and other payments collected from managed care organizations.

(2) "Agreed-upon procedures engagement" means an evaluation of a managed care organization's financial statistical reports or other data conducted by an independent auditing firm engaged by the commission as agreed in the managed care organization's contract with the commission.

(3) "Experience rebate" means the amount a managed care organization is required to pay the state according to the graduated rebate method described in the managed care organization's contract with the commission.

(4) "External quality review organization" means an organization that performs an external quality review of a managed care organization in accordance with 42 C.F.R. Section 438.350.

1 Sec. 533.052. APPLICABILITY AND CONSTRUCTION OF
2 SUBCHAPTER. This subchapter does not apply to and may not be
3 construed as affecting the conduct of audits by the commission's
4 office of inspector general under the authority provided by
5 Subchapter C, Chapter 531, including an audit of a managed care
6 organization conducted by the office after coordinating the
7 office's audit and oversight activities with the commission as
8 required by Section 531.102(q), as added by Chapter 837 (S.B. 200),
9 Acts of the 84th Legislature, Regular Session, 2015.

10 Sec. 533.053. OVERALL STRATEGY FOR MANAGING AUDIT
11 RESOURCES. The commission shall develop and implement an overall
12 strategy for planning, managing, and coordinating audit resources
13 that the commission uses to verify the accuracy and reliability of
14 program and financial information reported by managed care
15 organizations.

16 Sec. 533.054. PERFORMANCE AUDIT SELECTION PROCESS AND
17 FOLLOW-UP. (a) To improve the commission's processes for
18 performance audits of managed care organizations, the commission
19 shall:

20 (1) document the process by which the commission
21 selects managed care organizations to audit;

22 (2) include previous audit coverage as a risk factor
23 in selecting managed care organizations to audit; and

24 (3) prioritize the highest risk managed care
25 organizations to audit.

26 (b) To verify that managed care organizations correct
27 negative performance audit findings, the commission shall:

1 (1) establish a process to:

2 (A) document how the commission follows up on
3 negative performance audit findings; and

4 (B) verify that managed care organizations
5 implement performance audit recommendations; and

6 (2) establish and implement policies and procedures
7 to:

8 (A) determine under what circumstances the
9 commission must issue a corrective action plan to a managed care
10 organization based on a performance audit; and

11 (B) follow up on the managed care organization's
12 implementation of the corrective action plan.

13 Sec. 533.055. AGREED-UPON PROCEDURES ENGAGEMENTS AND
14 CORRECTIVE ACTION PLANS. To enhance the commission's use of
15 agreed-upon procedures engagements to identify managed care
16 organizations' performance and compliance issues, the commission
17 shall:

18 (1) ensure that financial risks identified in
19 agreed-upon procedures engagements are adequately and consistently
20 addressed; and

21 (2) establish policies and procedures to determine
22 under what circumstances the commission must issue a corrective
23 action plan based on an agreed-upon procedures engagement.

24 Sec. 533.056. AUDITS OF PHARMACY BENEFIT MANAGERS. To
25 obtain greater assurance about the effectiveness of pharmacy
26 benefit managers' internal controls and compliance with state
27 requirements, the commission shall:

1 (1) periodically audit each pharmacy benefit manager
2 that contracts with a managed care organization; and

3 (2) develop, document, and implement a monitoring
4 process to ensure that managed care organizations correct and
5 resolve negative findings reported in performance audits or
6 agreed-upon procedures engagements of pharmacy benefit managers.

7 Sec. 533.057. COLLECTION OF COSTS FOR AUDIT-RELATED
8 SERVICES. The commission shall develop, document, and implement
9 billing processes in the Medicaid and CHIP services department of
10 the commission to ensure that managed care organizations reimburse
11 the commission for audit-related services as required by contract.

12 Sec. 533.058. COLLECTION ACTIVITIES RELATED TO PROFIT
13 SHARING. To strengthen the commission's process for collecting
14 shared profits from managed care organizations, the commission
15 shall develop, document, and implement monitoring processes in the
16 Medicaid and CHIP services department of the commission to ensure
17 that the commission:

18 (1) identifies experience rebates deposited in the
19 commission's suspense account and timely transfers those rebates to
20 the appropriate accounts; and

21 (2) timely follows up on and resolves disputes over
22 experience rebates claimed by managed care organizations.

23 Sec. 533.059. USE OF INFORMATION FROM EXTERNAL QUALITY
24 REVIEWS. (a) To enhance the commission's monitoring of managed
25 care organizations, the commission shall use the information
26 provided by the external quality review organization, including:

27 (1) detailed data from results of surveys of Medicaid

1 recipients and, if applicable, child health plan program enrollees,
2 caregivers of those recipients and enrollees, and Medicaid and, as
3 applicable, child health plan program providers; and

4 (2) the validation results of matching paid claims
5 data with medical records.

6 (b) The commission shall document how the commission uses
7 the information described by Subsection (a) to monitor managed care
8 organizations.

9 Sec. 533.060. SECURITY AND PROCESSING CONTROLS OVER
10 INFORMATION TECHNOLOGY SYSTEMS. The commission shall:

11 (1) strengthen user access controls for the
12 commission's accounts receivable tracking system and network
13 folders that the commission uses to manage the collection of
14 experience rebates;

15 (2) document daily reconciliations of deposits
16 recorded in the accounts receivable tracking system to the
17 transactions processed in:

18 (A) the commission's cost accounting system for
19 all health and human services agencies; and

20 (B) the uniform statewide accounting system; and

21 (3) develop, document, and implement a process to
22 ensure that the commission formally documents:

23 (A) all programming changes made to the accounts
24 receivable tracking system; and

25 (B) the authorization and testing of the changes
26 described by Paragraph (A).

27 SECTION 2. As soon as practicable after the effective date

S.B. No. 894

1 of this Act, the executive commissioner of the Health and Human
2 Services Commission shall adopt the rules necessary to implement
3 Subchapter B, Chapter 533, Government Code, as added by this Act.

4 SECTION 3. This Act takes effect September 1, 2017.