

SUBJECT: Implementation of a pilot project for Medicaid reporting and auditing

COMMITTEE: Human Services — committee substitute recommended

VOTE: 6 ayes — Rose, S. King, Herrero, Hughes, Naishtat, Parker

0 nays

3 absent — J. Davis, Eissler, Pierson

WITNESSES: For — Susanne Elrod, Texas Council of Community MH/MR Centers
Carole Smith, Private Providers Association of Texas; Darian S. West
(*Registered, but did not testify*: Richard Hernandez, Educare Community
Living; Greg Hudson, Private Providers Association of Texas; Joe
Lovell, Texas Council of Community MH/MR Centers)

Against — None

BACKGROUND: Medicaid, the state-federal health insurance program for children, low-income families, the elderly, and disabled individuals, is administered in Texas by the Health and Human Services Commission (HHSC).

In 2003, the 78th Legislature enacted HB 2292 by Wohlgemuth, which initiated a complete reorganization of the human services delivery system. This reorganization centralized administrative oversight of the health and human services system under HHSC, including administration and audit functions for Medicaid funding. In 2005, the 79th Legislature enacted SB 1188 by Nelson, which included components requiring HHSC to perform evaluations, risk assessments, and quality reviews of the Medicaid program.

DIGEST: CSHB 2540 would add Government Code, sec. 531.02114 to authorize HHSC to create a pilot project to simplify, streamline, and reduce costs associated with Medicaid reporting and auditing procedures for intermediate care facilities for the mentally retarded (ICF-MR) and home and community-based services waiver program providers.

The HHSC commissioner would establish cost reporting and auditing guidelines that would mirror standard business financial reporting processes. The rules would:

- require that cost report forms be distributed to providers at least one month before the reporting period and not exceed 20 pages in length;
- require that a provider summarize information about program revenue, administrative costs, central office costs, facility costs, and direct care costs;
- require the filing of cost reports in alternating years, so that certain classes of providers all were reviewed at the same time;
- require that each provider be audited at least once during the pilot project by the HHSC Office of Inspector General;
- allow providers to electronically submit cost reports; and
- allow providers to request and receive access to HHSC database information regarding services provided.

These guidelines would be established with the assistance of a work group that would report to the executive commissioner. The executive commissioner would determine the number of members in the work group, taking care to select members who represent:

- public and private providers of ICF-MR services and home and community-based waiver program services;
- experienced cost report preparers trained by HHSC;
- accounting firms familiar with ICF-MR and home and community-based waiver program services;
- HHSC staff; and
- other interested stakeholders.

The work group would be responsible for:

- developing cost report forms, auditing processes, and rules to implement the pilot project;
- developing a plan for monitoring the project's implementation;
- developing recommendations for improving and expanding the project to other Medicaid programs;
- establishing an implementation date for the pilot project;
- monitoring wage levels of the direct-care staff; and
- submitting a quarterly status report to the lieutenant governor, the speaker of the House, the Senate Finance Committee, and the House Appropriations Committee.

By September 1, 2012, HHSC would report to the Legislature on the operation of the pilot project and recommend whether it should be continued or expanded. The pilot project would expire September 1, 2013.

The bill would authorize HHSC or any other governing agency to seek a waiver from a federal agency if the waiver or authorization was necessary for implementation of the project.

The bill would take effect September 1, 2007.

NOTES:

The committee substitute differs from the original in that the substitute would not require the HHSC commissioner to collaborate with providers to develop the pilot project. The substitute would require the commissioner to establish the work group and would extend the pilot project's expiration date from September 1, 2009, to September 1, 2013.