



COLORADO DEPARTMENT OF HEALTH CARE POLICY

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Bill Ritter, Jr., Governor • Joan Henneberry, Executive Director

February 27, 2009

Ms. Sally Symanski, State Auditor  
Office of the State Auditor  
Legislative Council Building  
200 E. 14<sup>th</sup> Avenue  
Denver, CO 80203

Dear Ms. Symanski:

Please find the Department of Health Care Policy and Financing's status update to the November 2008 Children's Basic Health Plan Managed Care Audit.

If you have any questions or comments, please feel free to contact the Department's Audit Coordinator, Laurie Simon at 303-866-2590 or [laurie.simon@state.co.us](mailto:laurie.simon@state.co.us).

Sincerely,

A handwritten signature in black ink, appearing to read 'Sandeep Wadhwa'.

Sandeep Wadhwa, MD, MBA  
Deputy Director  
Medical & CHP+ Program Administration Office

SW:las

cc: Representative Diane Primavera, Chair  
Senator David Schultheis, Vice-Chair  
Senator Jim Isgar, Legislative Audit Committee  
Representative Jim Kerr, Legislative Audit Committee  
Representative Frank McNulty, Legislative Audit Committee  
Representative Joe Miklosi, Legislative Audit Committee  
Senator Shawn Mitchell, Legislative Audit Committee  
Senator Lois Tochtrop, Legislative Audit Committee  
HCPF Executive Director's Office  
Jennifer Evans, Administration and Operations Office Director  
Bill Heller, CHP+ Division Director  
Laurie Simon, HCPF Audit Coordinator

The Colorado Department of Health Care Policy and Financing's  
Status Update on the November 2008 Children's Basic Health Plan  
Managed Care Audit

February 27, 2009

**Recommendation No 1 - The Department of Health Care Policy and Financing should ensure that the Administrative Services Organization (ASO) contractor for the State Managed Care Network delivers a full-range of case management services that specifically target the medical, financial, and social needs of CBHP enrollees. The Department should:**

- a. **Establish policies for the ASO contractor and/or add requirements to the contract requiring the contractor to: (1) inform the Department of its procedures for contacting potential case management participants and maintaining current enrollee contact information, and (2) maintain complete and readily-accessible case management files that demonstrate the adequacy of the case management program.**
- b. **Ensure that the agreed-upon case management/care management report required in the new contract contains the data needed to assess compliance with the contract and measure the effectiveness of case management services.**
- c. **Review a sample of files maintained by the contractor for case management enrollees at least annually to assess the identification and contact procedures and the types and frequency of case management services provided to CBHP enrollees. The Department should provide a written report detailing the results of the review, including deficiencies, to the contractor.**
- d. **Require the contractor to submit a plan to correct any deficiencies identified in the Department's review within a specified time frame and follow up to ensure that problems are addressed.**
- e. **Enforce requirements for case management staff to receive appropriate training on the CBHP program.**

**Agree. Planned Implementation Dates: a. January 2009 b. January 2009  
c. January 2009 d. February 2009 e. Implemented and Ongoing**

**March 2009 Update:**

**Recommendation No 1a is implemented and ongoing.** The Department has incorporated into a revised draft of the case/care management policy and procedure requirements that the contractor inform the Department of the process by which potential case/care management participants are contacted. The contractor has fully operationalized the new policies and procedures regarding the CBHP program and they are in the process

of incorporating them into all lines of business. Any further changes to the policies and procedures will be subject to the Department's final approval.

**Recommendation No 1b has been implemented.** The Department has added slight report clarifications so that the agreed-upon case/care management report required in the new contract contains the data needed to assess compliance and measure the effectiveness of case/care management services. For example, the contractor is to include the number of members referred to case/care management compared to those who actually enrolled and document stratification criteria so that discharge from the program can be measured against health outcomes.

**Recommendation No 1c has been implemented.** In January 2009, the Department reviewed a sample of 10 case/care management files maintained by the contractor. The Department has provided a written report to the contractor detailing the results of the review. The case file review did not identify any deficiencies.

**Recommendation No 1d is implemented and ongoing.** There were no deficiencies identified in the January review, therefore no corrective action plan is necessary. On an ongoing basis, the Department will provide the contractor with a written report based on the Department's review. If any deficiencies are identified during the review the Department will require the contractor to submit a corrective action plan

**Recommendation No 1e is implemented and ongoing.** As stated in the Department's original response, this recommendation has been implemented.

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**Recommendation No 2 - The Department of Health Care Policy and Financing should work with its Administrative Services Organization (ASO) contractor for the State Managed Care Network to set specific goals, outcome measures, and performance standards for case management services provided to CBHP enrollees. This should include:**

- a. Ensuring that the agreed-upon reports on case management required in the contract include data to measure the effectiveness of case management services in achieving the specified goals, outcome measures, and performance measures.
- b. Using the results to monitor the contractor's performance in delivering these services and to make decisions about future case management services provided to enrollees.
- c. Developing specific performance standards related to case management services and including the standards in the ASO contract.

**Agree. Planned Implementation Dates: a. November 2008 b. November 2008  
c. July 2009**

**March 2009 Update:**

**Recommendation No 2a is implemented and ongoing.** The Department received the first quarterly report from the contractor containing the case management reports in November as planned. The reports were thoroughly reviewed by the Department and feed back was given to the contractor in November. Per the Department's request the contractor provided additional data to further strengthen the report. Based on this research and evaluation, there is a draft form of policy and procedures to address specified goals, outcome measures, and performance measures for case management.

**Recommendation No 2b is implemented and ongoing.** Based on the case management reports received in November, the Department immediately began working with the contractor to make enhancements to the program. These changes included items such as risk stratification, post-partum depression screening and tracking members identified but never enrolled into care management.

**Recommendation No 2c is in progress.** The Department is developing additional performance standards related to case management services and included the new standards in the ASO contract. Review and analysis will be conducted throughout the year and standards will be solidified in time to be incorporated into the July 2009 ASO contract amendment. This recommendation is on target for a July 2009 implementation date.

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**Recommendation No 3 - The Department of Health Care Policy and Financing should improve cost and utilization data and analysis provided by its Administrative Services Organization contractor for the State Managed Care Network by:**

- a. **Ensuring that the cost and utilization reports submitted by the contractor comply with the agreed-upon design.**
- b. **Regularly analyzing the reported cost and utilization data and using it to make financial and programmatic decisions and to establish program goals.**

**Agree. Planned Implementation Dates: a. Implemented and Ongoing b. November 2008**

**March 2009 Update:**

**Recommendation No 3a is implemented and ongoing.** As stated in the Department's original response, this recommendation has been implemented.

**Recommendation No 3b is implemented and ongoing.** The Department is using the data and analyses provided by the ASO vendor to guide financial and programmatic decisions and assist with establishing program goals. This has been the case with the current economic downturn requiring further analysis of cost drivers in the CBHP program. The Department has relied on all of its data sources including regular analysis of cost and utilization for CBHP to make financial and programmatic decisions.

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**Recommendation No 4 - The Department of Health Care Policy and Financing should improve the accuracy of claims payments for the State Managed Care Network by:**

- a. **Continue to work with Anthem to assess the extent of payment errors, such as those identified in this audit and in the external contractors review, in other CBHP claims paid in Fiscal Years 2006 and 2007.**
- b. **Using this audit and the review recommended in part "a" to determine the total dollar amount of claims paid in error and seeking recovery for each payment.**
- c. **Implementing an onsite review process going forward to assess the Administrative Services Organization (ASO) contractor's: (1) controls to pay and deny claims in accordance with all applicable requirements, and (2) accuracy and timeliness in processing CBHP claims. The review should occur at least annually. If the Department continues to contract for claims reviews, it should ensure that the contracts provide adequate direction on the scope and purpose of the reviews.**
- d. **Establishing a process to follow up with the ASO contractor on any problems identified from the onsite claims review process to ensure corrective action is taken.**
- e. **Amending the ASO contract to include a liquidated damages provision for paying claims filed by providers after the established deadlines and without having negotiated with non-participating providers.**

**Agree. Planned Implementation Dates: a. Implemented and Ongoing b. January 2009 c. July 2010 d. Implemented and ongoing e. January 2009**

**March 2009 Update:**

**Recommendation No 4a is implemented and ongoing.** As stated in the Department's original response, this recommendation has been implemented.

**Recommendation No 4b is in progress.** The Department has begun its final reconciliation process with Anthem for CBHP claims. After further analysis and

collaboration with Anthem, a final dollar amount of claims paid in error will be determined and subtracted as part of the reconciliation process.

**Recommendation No 4c is in progress.** Currently, this recommendation is on track with the July 2010 implementation date. With the new ASO contract effective July 2008, the Department put into place a comprehensive review process to assess the ASO's compliance with claims processing requirements. This review process is performed by a third party vendor and is not conducted on-site; the review is conducted using claims data from the ASO vendor. The Department will ensure that the contractual language with the third-party vendor currently conducting the claims reviews will provide adequate direction on the scope and purpose of the reviews. This revision would be made July 2009 when the next contract amendment is executed with the vendor. The Department is taking measures to increase review of the ASO's claims transaction accuracy. In addition The CBHP Division is partnering with the Department's Program Integrity (PI) Section to incorporate CBHP claims review into a contingency-based contract. The request for proposal (RFP) for this scope of work is being drafted by PI for a release date in the late Spring of 2009. CBHP will be included in the scope of work outlined in the RFP.

**Recommendation No 4d is implemented and ongoing.** There is a process in place to follow up with the ASO vendor when concerns around appropriate claims denial, accuracy in payment, and timeliness of processing are identified through the anomaly reports or the quarterly reports.

**Recommendation 4e is in progress.** The Contract Amendment has been written to include a liquidated damages provision for paying claims filed by providers after the established deadlines and without having negotiated with non-participating providers. Due to limited resources in the Procurement Division, the Department is experiencing delays in executing contracts and contract amendments. We anticipate the contract amendment to be implemented by March 2009.

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**Recommendation No 5 – The Department of Health Care Policy and Financing should strengthen quality assurance mechanisms related to the accuracy of claims processing for the Children's Basic Health Plan by the Administrative Services Organization (ASO). This should include:**

- a. **Adding specific provisions to the contract with the independent contractor regarding the frequency and content of anomaly reports on claims processed by the ASO.**
- b. **Measuring the ASO contractor's compliance with contract requirements associated with quality assurance activities for claims processing on a periodic basis and making recommendations to the contractor on areas of improvement, as necessary. This should include a thorough review of all ASO contractor reports and ensuring that the contractor's claims audits review the minimum percentage of claims specified in the contract.**

**Agree. Planned Implementation Dates: a. July 2009 b. Implemented and Ongoing**

**March 2009 Update:**

**Recommendation No 5a is in progress.** The Department will add specific provisions to the third-party review contract regarding frequency and content of the State Managed Care Network claims anomaly reports. This revision will be made July 2009 when the next contract amendment is executed.

**Recommendation No 5b is implemented and ongoing.** As stated in the Department's original response, this recommendation has been implemented.

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**Recommendation No 6 - The Department of Health Care Policy and Financing should ensure that CBHP claims for the State Managed Care Network are processed by the Administrative Services Organization contractor in a timely manner. This should include monitoring the contractor's compliance with requirements in the contract related to the timely processing of claims and assessing liquidated damages when standards are not met.**

**Agree. Planned Implementation Dates: Implemented and Ongoing**

**March 2009 Update:**

**Recommendation No 6 is implemented and ongoing.** As stated in the Department's original response, this recommendation has been implemented.

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**Recommendation No 7 - The Department of Health Care Policy and Financing should enhance accountability for services delivered by the Administrative Services Organization contractor responsible for administering the CBHP State Managed Care Network by:**

- a. Adding to and strengthening provisions and performance standards in the contract to promote accountability.**
- b. Implementing a process to independently monitor the contractor's compliance with contract provisions, including on-site reviews of the contractor, ensuring that the contractor submits corrective action plans for substantial or recurring compliance issues identified from the monitoring process, and following up to ensure problems are addressed.**
- c. Maintaining a contract administration file containing all documentation of**

**the Department's contract monitoring activities, its interaction with the contractor, and its decisions affecting the contract.**

- d. Applying liquidated damages when appropriate and periodically reassessing liquidated damage amounts to ensure they are adequate to protect the State and serve as incentives for contract compliance.**
- e. Evaluating the costs and benefits of alternative delivery models for the State Managed Care Network, including placing the ASO contractor at risk for a specified number of medical services.**

**Agree. Planned Implementation Dates: a. July 2009 b. Implemented and Ongoing c. Implemented and Ongoing d. Implemented and Ongoing e. July 2009**

**March 2009 Update:**

**Recommendation No 7a is in progress.** The Department has already strengthened provisions in the current ASO contract that went into effect July 2008 and will continue to evaluate how to strengthen provisions and performance standards to promote accountability for the July 2009 contract amendment. Some of this work has already been included in the draft of the first contract amendment and the Department is currently working with the contractor to choose additional performance standards to be included in the next contract amendment. This recommendation is on target for a completed implementation date of July 2009.

**Recommendation No 7b is implemented and ongoing.** As stated in the Department's original response, this recommendation has been implemented.

**Recommendation No 7c is implemented and ongoing.** As stated in the Department's original response, this recommendation has been implemented.

**Recommendation No 7d is implemented and ongoing.** As stated in the Department's original response, this recommendation has been implemented.

**Recommendation No 7e is in progress.** The Department is evaluating a Performance-Based reimbursement methodology for the State Managed Care Network. This recommendation is on target for a July 2009 implementation date.

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**Recommendation No 8 – The Department of Health Care Policy and Financing should ensure that it collects and maintains appropriate and sufficient data to support disbursements of CBHP monies. Specifically, the Department should:**

- a. Continue to work with providers to resolve the outstanding dispute regarding capitation payments for Fiscal Years 2005 and 2006 and ensure**

that it has adequate supporting documentation for the amount it ultimately pays these providers.

- b. **Work with the federal Centers for Medicare and Medicaid Services to determine if any federal funds should be repaid related to this issue.**

**Agree. Planned Implementation Dates: a. Ongoing b. April 2009**

**March 2009 Update:**

**Recommendation No 8a is ongoing.** The Department continues to work with the group of providers regarding capitation payments for Fiscal Years 2005 and 2006. Some supporting documentation has been received from this provider group and the Department is working closely with the group to obtain the remaining documentation. The Department is close to a final resolution on payment.

**Recommendation No 8b is in progress.** If the final resolution results in a refund to the Department, the Department will work with the federal Centers for Medicare and Medicaid Services to determine the amount of federal funds that should be repaid related to this issue. This recommendation is currently on target to meet the April 2009 implementation date.

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