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June 12, 2001

Antonia C. Novello, M.D., M.P.H., Dr. P.H.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Re: Report 2001-F-3

Dear Dr. Novello:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by the Department of Health (Health) as of April 4, 2001, to implement the recommendations contained in our audit report, *Monitoring the Quality of Medicaid Managed Care* (Report 96-S-70). Our report, which was issued July 24, 1998, assessed Health's monitoring of the quality of Medicaid Managed Care provided by managed care organizations (MCOs).

Background

Health administers New York's Medical Assistance program (Medicaid) to provide medical assistance to needy people. The Medicaid Managed Care program was established under the Statewide Managed Care Act of 1991. Under Medicaid Managed Care, each county is responsible for developing its own Medicaid Managed Care program. Local social services districts (local districts) contract individually with MCOs to provide medical services to enrolled Medicaid recipients. The MCOs receive a monthly capitation payment for each enrolled recipient. In return, the MCOs must ensure that each enrollee has a primary care provider, adequate access to quality health care, and 24-hour access to emergent and urgently needed services.

As of April 2001, Health reported that about 698,466 Medicaid recipients were enrolled in MCOs throughout New York State.

Summary Conclusions

In our prior audit, we noted that Health did not have a formal statewide surveillance plan to ensure that Medicaid Managed Care was operating properly and meeting its goals. While Health officials made various efforts to monitor the quality of Medicaid Managed Care, we noted areas where Health's monitoring efforts needed improvement.

In our follow-up review, we found that Health officials have made significant progress in improving their monitoring of the quality of Medicaid Managed Care provided by MCOs. Most notably, Health officials have implemented a comprehensive statewide surveillance program designed to examine compliance with regulatory, statutory and contractual requirements for MCOs.

Summary of Status of Prior Audit Recommendations

Health officials implemented all twenty of the recommendations in our prior audit report.

Follow-up Observations

Recommendation 1

Formalize and implement a statewide Medicaid Managed Care surveillance plan.

Status - Implemented

Agency Action - Health formalized and implemented a statewide Medicaid Managed Care Surveillance Plan (Plan) and distributed the Plan to staff. The Plan contains detailed procedures for monitoring Medicaid Managed Care through annual operational surveys of MCOs and focused surveys of program issues. Health provided us with a schedule of annual operational surveys completed during calendar year 2000.

Recommendation 2

Ensure that surveillance procedures include appropriate processes to ensure compliance with regulatory, statutory and contractual provisions.

Status - Implemented

Agency Action - Health amended both the surveillance tool and the annual operational survey used to assess MCO performance, to include questions that verify compliance with regulatory, statutory and contractual obligations.

Recommendation 3

Ensure that annual surveys of MCOs with NCQA accreditation include appropriate processes not covered by NCQA.

Status - Implemented

Agency Action - Health modified procedures for annual operational surveys of MCOs. For MCOs with full National Committee on Quality Assurance (NCQA) accreditation, Health excludes from survey those areas that had been covered by NCQA, such as a review of credentialing/re-credentialing, quality assurance/improvement and/or medical record review. However, survey areas excluded from NCQA's accreditation review will be examined by Health during the annual operational survey.

Recommendation 4

Ensure that focused surveillance includes processes that can be used to trigger additional investigation when needed.

Status - Implemented

Agency Action - Health developed and implemented procedures in the focused surveillance of MCOs that can trigger additional investigation of MCOs. For example, Health reviews the ratio of Primary Care Practitioners (PCPs) to patients to ensure the supply of PCPs is within an acceptable range. When a PCP's Medicaid panel size exceeds 4,000, a referral is made to the Office of Medicaid Management, Bureau of Enforcement Activities, for investigation of potential fraud.

Recommendation 5

Ensure surveillance and monitoring activities are appropriately summarized and reported.

Status - Implemented

Agency Action - Health developed the Surveillance Database System (System), to monitor compliance with Medicaid Managed Care contract requirements. In order to promote consistent statewide use of the System, Health trained local districts in its use during spring 2000. This tool enables Health to generate reports that measure MCO compliance with Medicaid Managed Care contract requirements and aids in ensuring follow-up of identified survey deficiencies.

Recommendation 6

Update the complaint procedure manual to reflect a mechanism to ensure complaint resolution and time frames.

Status - Implemented

Agency Action - In May 2000, Health updated its manual of Complaint Procedures for Managed Care Plans. In addition to documenting the process of receiving complaints, these

procedures include details on monitoring processing of complaints and tracking resolution timeliness.

Recommendation 7

Implement the modified complaint tracking system and ensure its appropriate use.

Status - Implemented

Agency Action - Health implemented a redesigned version of the Uniform Complaint Tracking System (UCTS), which was first developed in 1994. Health also implemented formal procedures to guide the use of the UCTS. The most current procedures are dated March 2000.

Recommendation 8

Implement focused complaint analysis procedures.

Status - Implemented

Agency Action - Health developed a process for analyzing Medicaid Managed Care complaint information submitted by MCOs. The existing procedure documented the number and nature of complaints and also produces a quarterly summary report. This process was enhanced; when an MCO's complaints exceed a certain threshold, Health issues letters to the MCO, seeking an explanation.

Recommendation 9

Amend the wording on future brochures to provide additional information related to family planning and reproductive services offered by MCOs.

Status - Implemented

Agency Action - Health amended brochures used throughout the State to more fully explain information related to family planning and reproductive services offered under the Medicaid Managed Care program. Brochures with information on family planning services are available in eight languages: English; Spanish; Russian; Chinese; Creole; Korean; Arabic; and Hindi.

Recommendation 10

Amend the enrollment attestation guideline form to provide necessary information, allowing recipients to appropriately confirm their enrollment encounter.

Status - Implemented

Agency Action - Health amended the enrollment attestation process to sufficiently allow recipients to confirm their enrollment encounter. While different processes are used in New York City and upstate, both processes now provide a means to ensure that recipients understand basic information and limitations about managed care, as well as document that recipients have received written information detailing the rules for participation in the program.

Recommendation 11

Document and monitor the minimum audit requirements and the expectations for future QARR validation audits.

Status - Implemented

Agency Action - Beginning in the 1998 reporting period and continuing to the present, Health has adopted the NCQA Health plan Employer Data and Information Set (HEDIS) Compliance Audit for use in validation of quality assurance reporting requirements (QARR). Health requires this audit for all MCOs participating in the Medicaid Managed Care program. Certified NCQA auditors perform the examination for commercial MCOs, while the Island Peer Review Organization audits the “Medicaid-only” plans in the State.

Recommendation 12

Enhance future validation selection methodology to include appropriate analysis based on audit risks associated with historical results.

Status - Implemented

Agency Action - In using the NCQA HEDIS Compliance Audit, Health enhanced the validation methodology to include audit risks associated with historical results. A risk analysis has been built into this audit process that scores the MCO on three risk components: 1) comparison of administrative data versus medical data; 2) historical data, such as results of prior audit(s); and 3) audit findings that result in a standard deviation greater than the mean (greater than 99 percent). Areas that fall into these three risk components are selected for further review.

Recommendation 13

Establish a policy and supporting procedures to ensure review of all contract deliverables for accuracy and completeness.

Status - Implemented

Agency Action - Health implemented a policy and process that includes review of all deliverables from contractors. For example, Health receives NCQA HEDIS Compliance

Audit reports for all MCOs participating in the Medicaid Managed Care program. Health now reviews the audit reports for completeness and accuracy, and incorporates the audit findings into a database. Follow-up telephone calls are made when information is not complete. In addition, this process includes additional reviews by Health staff when contractors make subsequent changes resulting from Health's follow-up.

Recommendation 14

Establish a formal policy and supporting procedures to effectively coordinate appropriate and uniform local district contract and quality of care monitoring activities.

Status - Implemented

Agency Action - Health developed a formal policy and supporting procedures to review mandatory and voluntary local district Medicaid Managed Care programs. This process includes a review of six program areas that use checklists to determine compliance with federal and State requirements. Once the reviews are complete, Health forwards the local districts a summary report that identifies the results of the review. The process further requires that local districts respond to Health with a plan of correction, as necessary, within 30 days of the summary report.

Recommendation 15

Modify procedures to effectively monitor the contractual process for Medicaid Managed Care and ensure timely contract submission to HCFA.

Status - Implemented

Agency Action - Health improved the contract approval and review process to ensure timely submission of contracts to the Federal Health Care Financing Administration (HCFA). To facilitate monitoring MCO contract renewal, Health developed and implemented a database of statewide MCO contract information and set all MCO contracts to expire on one date (September 30, 2001). In addition, to facilitate contract review, Health developed one Medicaid Managed Care Model Contract for use by all counties. Only minor revisions are made to the model contract to meet the specific needs of each county. Health also provided training to local district staff in the Managed Care contract review and approval process.

Recommendation 16

Develop a mechanism to ensure valid contracts are in place before payment approval.

Status - Implemented

Agency Action - Health's database of statewide MCO contract information will allow Health to ensure that valid contracts are in place prior to payment approval.

Recommendation 17

Establish comprehensive guidelines to measure and implement procedures to appropriately assess MCO compliance with the ADA. Consider defining accessibility in a broader context.

Status - Implemented

Agency Action - Health contracted with Cornell University to develop a tool to evaluate MCO compliance with guidelines established under the Americans with Disabilities Act (ADA). The resulting Medical Assistance (MA) MCO ADA Compliance Survey contains checklists used in testing MCOs' compliance to applicable portions of the ADA. Using this tool, Health has evaluated and approved all MCOs in all counties.

Recommendation 18

Establish monitoring guidelines and quality of care measurements specifically for disabled treatment outcomes and results. Consider analyzing enrollees with disabilities or who are chronically ill as a separate category in monitoring complaints, disenrollments, grievances, utilization review decisions appeals, or enrollee satisfaction surveys.

Status - Implemented

Agency Action - Health developed quality measures and satisfaction surveys to monitor the quality of care for persons with certain chronic conditions. Quality measures added since 1996 include antidepressant medication management; monitoring comprehensive diabetes care; and use of appropriate medications for people with asthma. Health officials also indicated that they continue to work toward developing and implementing additional quality measures for people with chronic conditions. However, in working toward this goal Health has encountered roadblocks such as the lack of established quality measures associated with chronic conditions, as well as difficulties associated with sample size in measuring quality of care. According to Health officials, for many conditions, there are not enough enrollees to effectively measure plan-to-plan performance.

Recommendation 19

Meet with officials from all counties operating Medicaid Managed Care programs and review Health's policy regarding managed care fair hearing issues.

Status - Implemented

Agency Action - Health provided training to local district staff in all counties operating Managed Care programs during summer 1999 and again during winter 2001. These training sessions focused on changes in the Medicaid Managed Care program, including statewide policies related to fair hearings.

Recommendation 20

Ensure that local districts or MCOs appropriately issue fair hearing notices that alert recipients to their right to aid continuing.

Status- Implemented

Agency Action - In its annual review of local district Managed Care programs, Health included steps assessing compliance with the requirement that notices to potential MCO enrollees include fair hearing language alerting recipients to their right to aid continuing. Further, Health has provided all MCOs with approved program policy documenting the fair hearing process. In August 1999, Health met with MCOs to discuss actions needed to implement the fair hearing policy. Also, in January 2000, the Office of Administrative Hearings, New York State Office of Temporary and Disability Assistance, held fair hearing training sessions for representatives of statewide MCOs.

Major contributors to this report were Lee Eggleston, Gabriel Deyo and Sally Wojeski.

We would like to thank the management and staff of the Department of Health for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Kevin M. McClune
Audit Director

cc: Charles Conaway