

Minutes of the Joint Legislative Oversight Committee
March 29, 2011
Senate and House Auditorium, Capitol Building
Boise, Idaho

Co-chair Senator Elliot Werk called the meeting to order at 8:00 a.m. Attending the meeting were Senator Dean Mortimer and Representatives Cliff Bayer, Maxine Bell, Elaine Smith, and Shirley Ringo. Senator Jim Hammond was excused to attend the Senate Agriculture Committee meeting. Also present were Rakesh Mohan, director, Margaret Campbell, administrative coordinator, and other OPE staff.

Senator Werk welcomed the audience and acknowledged the following attendees:
Senators Patti Anne Lodge, John Goedde, Joyce Broadsword, and Diane Bilyeu
Representatives Janice McGeachin, Marv Hagedorn, Wendy Jaquet, and Phylis King
Chief Deputy Controller Dan Goicoechea, Office of the State Controller
Director Jeff Youtz, Legislative Services Office
Manager Don Berg, Managing Auditors April Renfro and Lori Hendon, Legislative Audits
Deputy Director Richard Schultz, Administrator Leslie Clement, and MMIS Project Manager Patti Campbell, Department of Health and Welfare
Chief Operating Officer Terry Bayer, Account Executive Del Bell, and Senior VP of Provider Payment Ann Koontz, Molina Healthcare, Inc.
President Norman Nichols, Molina Medicaid Solutions

REPORT RELEASE: *DELAYS IN MEDICAID CLAIMS PROCESSING*

Senator Mortimer moved to receive the report *Delays in Medicaid Claims Processing*. Representative Bayer seconded the motion, and the motion passed unanimously by voice vote from six members present.

Senator Stennett joined the meeting in progress.

Mr. Mohan said the report had been assigned on February 7 and completed in seven weeks. He acknowledged the OPE team conducting the study: Amy Lorenzo and Maureen Brewer, co team leads, Hannah Crumrine, Jared Tatro, and Bryon Welch. He thanked the department and Molina Healthcare, Inc. for their full cooperation during the study. Ms. Lorenzo and Ms. Brewer summarized the findings of the report.

Senator Stennett said that OPE had put a tremendous effort into the report, which was well done and helpful to the Legislature. She asked about the accuracy of information in the system defect log, particularly in the first few months of going live. Ms. Brewer said the department and Molina understood the depth of system issues, even if all issues were not captured in the defect log. Molina had identified 18 comprehensive issues. She said that Molina recognizes that some issues continue to be a problem and are working to correct them.

Senator Mortimer asked whether Molina had a process to review the accuracy of claims paid as well as claims denied. Ms. Brewer said Molina was not testing for errors; hence, the OPE recommendation to track and ensure accuracy in claims processing. She said Molina tracked claims that were denied improperly and were working to address those issues in the system.

Senator Mortimer asked about contract terms for noncompliance. Ms. Lorenzo said the contract allowed the department flexibility in holding Molina accountable. The department was working with the Office of the Attorney General to determine payment on deliverables.

Representative Smith asked if the months Molina did not meet contract terms for claims adjudicated occurred at the onset of system implementation. Ms. Lorenzo said the two months Molina did not meet contract terms for processing claims were September and November, but the department had received a federal waiver for claims processing through December 2010. Ms. Brewer added that the contract required Molina to finalize 92 percent of claims within 90 days. While Molina did not meet contract terms for those two months, they did meet federal requirements.

Representative Bell said the recommendations were clear and short. She asked whether OPE had stipulated a timeframe when recommendations should be implemented. Ms. Lorenzo said that OPE had not stipulated a timeframe. However, the recommendations were well received by the department and Molina, and both entities had plans to move forward with implementation.

Representative Ringo asked about the number and age of pending claims. She expressed concerns about the loss of funding to the state when federal match rates decrease. Ms. Brewer said the number of pending claims had tapered off in the last few months, but she was unsure whether it had settled into a consistent average per month. The department and Molina were focusing their efforts on claims that were more than 30 days old.

Senator Mortimer asked about the confidence level of claims meeting federal requirements if Molina was not tracking the accuracy of processed claims. He said most providers would disagree that claims were processed within federal requirements. Ms. Brewer said that Molina's implementation of an OPE recommendation would address this concern. She said that when providers received incorrect payments, Molina's timeliness for processing claims was no longer useful.

Mr. Mohan added that Legislative Audits was currently working in the Medicaid Division and one of the audits might be able to shed more light on this concern. Senator Werk called on April Renfro, Managing Auditor, to address the committee. Ms. Renfro said auditors were examining claims from fiscal year 2010, which includes only one month of claims processed by Molina. She said the auditors use the Office of Management and Budget Circular A-133 from the federal Medicaid program to determine the accuracy of payments.

Senator Werk asked about the initial cause of system delays that required federal approval to delay implementation. Ms. Lorenzo said the system was scheduled to go live in October 2009, but the department received an extension from the federal government until February 2010. In

February, the department received an extension to delay again until June 2010. She said OPE did not look at issues requiring the delays.

Senator Werk asked whether the contract had provisions to recoup from Molina damages and costs to the state as a result of delayed and incorrect payments. Ms. Lorenzo deferred to the department, which was working with the Attorney General's office on the issue.

Senator Werk asked about the change of federal match rates for claims. Ms. Brewer pointed to exhibit 7.2 in the report showing dates and the corresponding change in match rates. She said the state needed to clear out pending and backlog claims before July 1, 2011, to take advantage of a higher percentage of federal match. Senator Werk confirmed that the match rate applied to the date a claim was paid, not the date a service was received. Delays in the payment of claims could result in a loss of federal dollars.

Representative Ringo asked whether OPE found best practice standards for the ratio of support staff to providers. Ms. Lorenzo said that OPE did not look at standard ratios. She said that a well-functioning system was automated and would not require a high ratio of support staff. Molina's current call center trends indicate the ratio was meeting most provider needs.

Senator Werk called on Dick Schultz, deputy director of the Department of Health and Welfare, to address the committee. Mr. Schultz complimented OPE on a good job in a short time. He said the department agreed with the findings and recommendations. He complimented Molina, indicating that the road with Unisys had been rocky. He said that Molina had a different attitude and the partnership with the company was a good one. He said he hoped fixes in the queue would move claim payments forward.

Senator Mortimer asked about the confidence of the department that by fiscal year end the state will have taken advantage of the maximum match rate. He also asked about steps the department is taking to recover \$2 million in outstanding interim payments from providers who were no longer in business or who had not submitted claims in the current year. Mr. Schultz said the department was anxious about the fixes in place to process claims even though Molina had committed to make the fixes in time. As far as recoupment efforts went, he said he was working with the Attorney General's office to collect the interim payments.

Senator Mortimer said taxpayers expected timely fixes to ensure a maximum federal match. He asked whether the department was taking additional steps, such as adding more personnel or changing areas of responsibility, to make timely fixes. Mr. Schultz said the department was monitoring Molina's progress. He said the department had some anxiety about the dates that had been set and missed, and indicated that Molina could better answer the question.

Senator Mortimer said he was looking for accountability from the department. The department was responsible for Molina's accountability, and the Legislature was responsible for the department's accountability. Mr. Schultz said the department could not affect programming changes—it did not have the resources. Rather, the department relied on Molina.

Senator Werk asked where the buck stopped. Mr. Schultz said it rested on the department and the department's decisions. Senator Werk asked about the contract—who negotiated it and where did the template come from? Mr. Schultz said the contract was developed over multiple years—the first contract was canceled. The Attorney General, the Division of Purchasing, and two iterations of department staff worked to put the contract together. He said the contract was a work in progress; even other states lacked specifics in their contracts.

Senator Werk asked whether anyone in state government was a contract expert. Mr. Schultz said the Division of Purchasing was the state's contract expert. However, each contract was different and included specifics that rely on those with expertise on system details.

Senator Werk called on Del Bell, account executive at Molina Healthcare, Inc., to address the committee. Mr. Bell said he appreciated working with OPE—staff had good insight and accurately reported the information made available to them. He said he agreed with the recommendations.

Senator Werk called on Representative Janice McGeachin, chair, House Health and Welfare Committee, to address the committee. Representative McGeachin thanked JLOC for its wisdom and conviction for assigning the report, which profoundly affected thousands of providers. She thanked OPE for going above and beyond the call of duty. She asked whether deliverables 7, 8, and 9 from exhibit 2.1 were complete. Ms. Lorenzo said the actual functionalities of the deliverables were complete; however, the department was waiting for reports. She said the requirements of the deliverables fell short in terms of ensuring the system was operating properly.

Representative McGeachin read aloud the second paragraph of page 16 of the report:

The department has indicated that the timing of policy changes such as those enacted through HB 701 may cause problems for a new system. According to the department, states should freeze their Medicaid policy for at least one year when implementing a new system to allow for stabilization through the initial start-up process.

Representative McGeachin said she had a critical concern. The deliverables were not completed, and HB 260 had been signed during the 2011 session. She rhetorically asked what additional changes would do to the function of the system.

Representative Bell moved to conduct a follow-up review of the report *Delays in Medicaid Claims Processing* in six months. Senator Stennett seconded the motion, and the motion passed unanimously by voice vote from seven members present.

Senator Werk indicated that the committee did not have a quorum at the end of the presentation of the follow-up report on *Idaho Transportation Department Performance Audit*. He asked the members what action they wanted to take on the report.

Representative Ringo moved to conduct a follow-up review of the Idaho Transportation Department Performance Audit in one year. Representative Bayer seconded the motion, and the motion passed unanimously by voice vote from seven members present.

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Senator Werk discussed the limited time to hold topic selection, and with consensus of the committee, postponed the agenda item to a meeting later in the week.

The meeting adjourned at 9:25 a.m.