

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



April 29, 2016

Wayne Turnage, M.P.A.
Director
Department of Health Care Finance
441 4th Street, N.W., Suite 900S
Washington, D.C. 20001

Dear Mr. Turnage:

This letter is to inform you of the results of the Office of the Inspector General's (OIG) *Audit of the District's Managed Care Organizations (MCOs) Administered by the Department of Health Care Finance (DHCF)* (OIG Project No. 14-1-24HT). The OIG conducted this audit to determine whether the District's MCOs: (1) performed in compliance with requirements of applicable laws, rules, regulations, and policies and procedures; (2) managed and administered healthcare services efficiently and effectively; and (3) operated in a manner where internal controls were in place to safeguard against fraud, waste, and abuse. The scope of the audit included: (1) AmeriHealth enrollment and capitation payments for June 2014; (2) the DHCF's contract administration of AmeriHealth's MCO contract;¹ and (3) the DHCF's contract administration related to Policy Studies, Inc.'s enrollment broker contract.² We conducted this audit from October 2014 until December 2015.

Government Auditing Standards state that a complete report contains sufficient, appropriate evidence needed to satisfy the audit objectives and promote an understanding of the matters reported. During the course of the audit, we did not obtain evidence to provide us with a reasonable basis to reach overall conclusions. As a result, we will not issue a formal audit report on this engagement.

Although we will not issue an audit report for this engagement, this letter summarizes our observations and suggested improvements to strengthen your office's administration and oversight of the District's MCO and enrollment broker contracts. Please note that suggested improvements in this letter are not recommendations that require a written response from your office. However, upon a future reevaluation of contract compliance and administration with respect to the MCOs and the enrollment broker, we will assess whether the conditions observed have been addressed.

¹ The District awarded contract DHCF-2013-C-003-A02 to AmeriHealth District of Columbia, Inc.

² The District awarded contract DCHT-2011-C-001 to Policy Studies, Inc.

In October and December 2015, we met with officials from your agency to discuss the results of our audit and offered suggestions to improve the DHCF's administration of the MCO and enrollment broker contracts and minimize the District's liability. We provided the following observations and suggested improvements, to which the DHCF provided its response.

OBSERVATIONS

- MCO contract terms and conditions were incomplete.
- MCO contract terms and conditions did not align with enrollment and capitation payment practices administered by the DHCF.
- Lack of a monitored reconciliation process and the complexity of the enrollment and capitation payment processes prevented us from verifying whether capitation payments were accurate.
- Enrollment broker's invoicing and payment practices were not aligned with contract terms and conditions.

SUGGESTED IMPROVEMENTS

To improve administration and oversight of the MCO and enrollment broker contracts, the DHCF should:

1. Review the MCO contract and correct any and all incomplete references to remove ambiguity and promote accuracy and transparency.
2. Modify the MCO contract, as it relates to capitation and enrollment, to bring the DHCF into compliance, or comply with the contract's current terms and conditions.
3. Reinstate the requirement for the MCOs to provide their monthly membership reconciliation report (which reconciles enrollment to capitation payments) to the District for review to ensure accuracy and completeness.
4. Streamline the capitation payment process so an independent verification of the process can be performed, or modify the contract terms and conditions to reflect the actual process in place so contract compliance and payment accuracy can be determined.
5. Modify the enrollment broker contract, as it relates to invoicing and payments, to bring the DHCF and the enrollment broker into compliance, or comply with the contract's current terms and conditions.

DHCF RESPONSES

DHCF officials responded and agreed to:

- Complete multiple contract modifications to the MCO contract to address the issues identified by the OIG and the health plan (AmeriHealth). Once approved by the Office of Contracting and Procurement, the modifications will be sent to the three MCOs for review and signature.
- Perform a full review of the entire MCO contract to ensure proper numbering and alignment throughout the document.
- Complete multiple contract modifications to align the MCO contract to the actual enrollment and capitation payment processes, to include language that allows for mid-month capitation payments.
- Instruct the MCOs to complete the current manual monthly reconciliation report process until the DHCF completes an improved replacement process. The DHCF indicated that it was working with consultants to design a recurring internal reconciliation process with a tentative completion date of January 1, 2016.
- Correct the contract ambiguity (found in the enrollment broker contract) when the DHCF releases the future Request for Proposal, due in spring 2016.

I appreciate the courtesy and cooperation extended to our staff during the engagement. If you need additional information, please call me or Toayoa Aldridge, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,



Daniel W. Lucas
Inspector General

DWL/caw

cc: See Distribution List

Wayne Turnage, Director
Department of Health Care Finance
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