



TEXAS

Health and Human Services Commission

Albert Hawkins, Executive Commissioner

Office of Inspector General

Performance Audit Report Texas Medicaid Healthcare Partnership Prior Authorization Audit

August 29, 2008

Bart Bevers, Inspector General

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TEXAS HEALTH AND HUMAN SERVICES COMMISSION

ALBERT HAWKINS
EXECUTIVE COMMISSIONER

August 29, 2008

Rick Pope, Vice President, Managing Director
Texas Medicaid Healthcare Partnership
12365-A Riata Trace Pkwy, Building 9
Austin, Texas 78727

Dear Mr. Pope:

The Health and Human Services Commission (HHSC) - Office of Inspector General, Audit Section (OIG) has completed its audit of the Texas Medicaid Healthcare Partnership (TMHP) Prior Authorization Process. The audit objective was to determine if TMHP's prior authorization process complies with contractual obligations, Texas Administrative Code, and federal regulations. Upon finalizing the audit objectives, the audit scope was the period September 1, 2006 to March 31, 2008.

The detailed findings and recommendations with management responses are presented in the enclosed final report.

We would like to thank you for the courtesy extended to us by TMHP Prior Authorization section management and staff during the audit. If you have any questions or concerns, please do not hesitate to contact Mark Poehl, Director of the OIG Audit Section, at mark.poehl@hhsc.state.tx.us or by phone at (512) 491-2872.

Sincerely,

A handwritten signature in black ink that reads "Mark Poehl".

Mark Poehl, CPA, CIA, CFE, CISA
Director, Audit Section

Enclosure

EXECUTIVE SUMMARY

Audit Results (*Statement of Findings*)

Based upon the evidence provided and test conducted, Texas Medicaid Healthcare Partnership's (TMHP) prior authorization process partially complies with contractual obligations, Texas Administrative Code, and federal regulations. Areas of noncompliance are as follows:

- An opportunity for improvement exists in the orthodontic prior authorization requests process
- Prior authorization staff approved prior authorization requests that were not in compliance with the Texas Medicaid Providers Procedures Manual
- Four prior authorization requests were not processed in a timely manner
- USB ports are enabled on Prior Authorization systems for employees who work from home

Objective (*Subject*)

The Health and Human Services Commission (HHSC) - Office of the Inspector General, Medicaid/CHIP Audit Unit (OIG) has completed its audit of TMHP Prior Authorization Process. The audit covers the period September 1, 2006 to March 31, 2008. The objective of the audit was to determine if TMHP's prior authorization process complies with contractual obligations, Texas Administrative Code, and federal regulations.

This audit was conducted under the authority granted to OIG in the Texas Government Code Section 531.102(h)(4). This performance audit was conducted in accordance with *Government Auditing Standards*, 2007 revision, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Summary of Scope and Methodology (*Summary of Activities Performed*)

The audit of the TMHP Prior Authorization Process covered the period beginning September 1, 2006 and ending March 31, 2008. The methodology employed throughout this performance audit included objectively reviewing and analyzing various forms of documentation, conducting interviews and observations, and conducting tests necessary to achieve the objectives of the audit. See Appendix A for detailed objective, scope, and methodology.

Background

As of January 1, 2004, ACS State Healthcare LLC, under contract with the Texas Health and Human Services Commission (HHSC), assumed administration of Medicaid claims processing and the Medicaid primary care case management services program. ACS meets its new consolidated Medicaid responsibilities with a team of subcontractors under the name of TMHP.¹

¹ Obtained from TMHP's website as of August 5, 2008. ACS is Affiliated Computer Services.

This Medicaid administration contract incorporates the Request for Proposal (RFP). Section 8, Vendor Responsibilities, of the RFP states: Prior authorization (PA) is a mechanism to determine the medical necessity of selected non-emergency, Medicaid-covered, and medical services prior to service delivery (and retroactively in special cases). Providers submit requests for PA to perform specified services. The PA function will serve as a utilization management measure allowing payment for only those services that are medically necessary, appropriate, and cost-effective, and reducing the misuse of specified services.

DETAILED FINDINGS AND RECOMMENDATIONS

Finding 1 – Opportunity for Improvement in the Orthodontic Prior Authorization Requests Process

An opportunity for improvement was noted in the documentation review process for orthodontic prior authorization (PA) requests. Currently, not all documentation that supports the Texas Medicaid Program benefits for orthodontic PA requests, approved by the PA dental team, is reviewed. Rules and Regulations governing the orthodontic PA requests include:

- Section 19.18, Orthodontic Services, of the Texas Medicaid Providers Procedures Manual, states “Orthodontic services for cosmetic purposes only are not a benefit of the Texas Medicaid Program. Orthodontic services are limited to the treatment of severe handicapping malocclusion and other special medically necessary circumstances as outlined in Benefits and Limitations...”
- Section 19.18.2, Mandatory Prior Authorization, of the Texas Medicaid Providers Procedures Manual, states “Requests for orthodontic services must be accompanied by all the following documentation:
 - An orthodontic treatment plan...
 - Cephalometric radiograph with tracing models
 - Completed and scored HLD sheet...
 - Facial photographs
 - Full series of radiographs or a panoramic radiograph;...
 - Any additional pertinent information as determined by the dentist or requested by TMHP’s Dental Director...”
- In section 8.9.5, Vendor Responsibilities, of the Request for Proposal, it is stated in PAC-6 that the Vendor must “Research, analyze, and evaluate all PA decisions and ensure all medical facts are considered and documented prior to determination.”
- Additionally, PAC-17 states that the Vendor must “Provide sufficient and adequate professional medical staff for staffing and managing the PA function, including medically knowledgeable PA analysts for processing requests and availability of licensed medical professionals to provide consultative services regarding all Medicaid and CSHCN covered service types...”

To approve an orthodontic PA request the PA dental team members verify the mathematical accuracy of, and ensure that, the Handicapping Labiolingual Deviation (HLD) index score is at least 26. The PA dental team members do not review the additional documentation required per the Texas Medicaid Providers Procedures Manual (TMPPM) and do not have the dental licenses necessary to determine if the additional documentation supports the HLD index score.

TMHP staff did state that under predefined circumstances, approximately 10%² of the orthodontic PA requests are referred to, and the documentation reviewed by, the Dental Director. This means

² This percentage has not been audited by OIG. The audit client provided the statistic.

approximately 90% of the documentation for orthodontic PA requests is not being reviewed. Zero of the 18 orthodontic sample items tested were referred to the Dental Director.

The PA dental team members could be approving a portion of orthodontic PA requests that are **not** for the treatment of severe handicapping malocclusion and other special medically necessary circumstances. Dollars paid for orthodontic treatment, for the months of September 2007 through February 2008, were at least \$52.6 million.

Recommendation:

TMHP should sample the orthodontic PA requests approved by the PA dental team members. The sample and its documentation should be reviewed by a licensed dental professional to ensure that the orthodontic PA requests meet the criteria for Texas Medicaid Program benefits.

Management Response:

TMHP reviews orthodontic prior authorization requests in accordance with the Medicaid administration contract, policies and rules. The contract does not require orthodontic PA requests to be reviewed by a licensed dental professional. **Therefore, the absence of PA reviews by a licensed dental professional does not mean that payments for orthodontic treatment during the audit period of September 2007 through February 2008 were inappropriate.**

PAC-6 and PAC-17 require consideration of documentation to determine medical necessity and adequate management and staffing of the PA function, including medically knowledgeable analysts and *“the availability of licensed medical professionals to provide consultative services.”* When a provider submits a PA request according to Section 19.18.2, the request includes a score sheet with preset scoring criteria. According to the currently approved medical policy, a score of 26 or more meets medical necessity for approval. Scores below 26 require the review of a licensed medical professional. In addition, certain high cost items are referred to a licensed medical professional for approval. As noted by the auditors, approximately 10% of the orthodontic PA requests were referred to the Dental Director for consultative services in accordance with the contract. All of the orthodontic PA requests sampled by the auditors that were not referred to the Dental Director achieved a score of 26 or higher in accordance with the policy.

TMHP is willing to add a sample step to this process; however, it may require a change order. TMHP PA will discuss the audit recommendation to sample the orthodontic PA requests approved by the PA dental team members with HHSC. The sample could be added to the current PA process once the scope, resources, methodology and reporting are agreed to by TMHP and HHSC.

Finding 2 – Prior Authorization Staff Approved Prior Authorization Requests That Were Not in Compliance With the Texas Providers Procedures Manual

Incorrect Signatures on the HLD Index

PA staff approved two orthodontic PA requests, out of the nine sample items tested (22.2%), with incorrect signatures for the Handicapping Labiolingual Deviation (HLD) Index for the Comprehensive Orthodontic Treatment procedure code D8080. Section 19.18.2, Mandatory Prior Authorization, in the TMPPM states that “Requests for orthodontic services must be accompanied by all the following documentation: ... Completed and scored HLD sheet with diagnosis of Angle class (26 points required

for approval of non-cleft palate cases).” Section 19.20, How to Score the Handicapping Labiolingual Deviation (HLD) Index, in the TMPPM further states that “The orthodontic provider must complete and sign the diagnosis (Angle class).”

When the provider submitted the HLD sheet to TMHP, the primary practitioner did not sign it. A stamp was used in place of the handwritten, original signature. The two sample items in question were from the same provider. This provider had used three different signatures on the THSteps Dental Mandatory Prior Authorization Request Forms and HLD Indexes.

Incomplete THSteps-CCP Prior Authorization Request Forms

PA staff approved four incomplete THSteps-CCP Prior Authorization Request Forms out of the 62 sample items tested (6.5%) for the Private Duty Nursing services procedure code T1003. Section 43.4.13.6, Documentation, in the TMPPM states that “The THSteps-CCP Prior Authorization Request Form must be completed, signed, and dated by the physician. The physician must mark the Private Duty Nursing box documenting the stability of the client for PDN. All requested dates of service must be included.”

When the provider submitted the THSteps-CCP Prior Authorization Request Forms to TMHP, the primary practitioner did not complete the section Primary Practitioner’s Certifications.

TMHP did not comply with the requirements in the TPPM for the HLD Index and the THSteps-CCP Prior Authorization Request Forms.

Recommendation:

TMHP should consider increasing training for current and future PA staff to ensure that incorrect signatures and incomplete forms are not approved.

Management Response:

Incorrect Signatures on the HLD Index

TMHP PA leadership will conduct retraining with PA dental team staff to ensure that stamped signatures are not approved and will update the PA Work Instructions used for new staff training to include the same information. However, the current dental medical policy does not require an original handwritten signature; neither the policy nor the provider manual specifies that a provider cannot use a stamp or an electric signature on the dental request form or the HLD Index. TMHP PA will work with DRT to draft HHSC approved provider banner and bulletin communications that dental PA requests and HLD Index sheets must have original provider signatures and that stamped signatures cannot be approved. These communications will then be included in the next revisions of the Texas Providers Procedures Manual (TMPPM) Dental section as the section does not currently state that stamped signatures cannot be approved.

Incomplete THSteps-CCP Prior Authorization Request Forms

The auditor correctly noted that a box was not checked on four PA request forms sampled. In each instance, the form included all substantive documentation required as well as the physician’s signature, and the form was reviewed by PA staff and determined to adequately support medical necessity. In these cases, the PA was approved in the interest of efficiency rather than pending the request and requiring the provider to resubmit it.

TMHP PA leadership will conduct retraining with PA CCP team staff to ensure that Private Duty Nursing (PDN) requests where the provider has not marked the PDN box are not approved and will update the PA Work Instructions used for new staff training to include the same information. In the interest of streamlining the PA process for providers, TMHP PA leadership will work with HHSC through the Medical Policy review process to consider revisions to the CCP PDN request form removing the checkboxes from the Primary Practitioner's Certifications section and allowing the existing wording along with the physician's signature to be the provider's certification.

Finding 3 - Four Prior Authorization Requests Were Not Processed in a Timely Manner

Four out of 10 (40%) PA requests for power wheelchairs (PWC) were not processed in a timely manner. Rules and Regulations for all prior authorization requests include:

- In section 8.9.5, Vendor Responsibilities, of the Request for Proposal, it is stated in PAC-24 that "Upon receipt of the requested information from the provider, the Vendor must process the request and make a PA determination within one business day."
- Additionally, PAC-25 states that "If the Vendor does not receive the requested information by the end of the fourth business day, the Vendor must send a letter to the client stating that the PA request cannot be processed until the provider responds with the specific information necessary to complete the PA request. This letter must be sent within one business day along with a copy of the initial letter to the provider that lists the specific information necessary to make the PA determination."

Two PA requests were not processed within one business day after receiving the requested information from the provider. For two PA requests the vendor did not send a letter to the client notifying the client of the need for additional information from his/her provider within four business days after the Vendor notified the provider.

A delay in processing PA requests could mean a delay in a client receiving needed medical care. TMHP is subject to liquidated damages per section 14.07 of the Service Agreement between HHSC and TMHP. Section 14.07 states "The Parties agree that, except as limited by subsection (e) of this Section 14.07, HHSC may assess a liquidated damage of up to \$1,000 per calendar day for each instance of CONTRACTOR's breach or nonperformance of a duty that is not specified in the Performance Standards and Measures." The liquidated damages are determined to be \$55,000.

Calculation of Liquidated Damages

Sample Item No.	Dates in Noncompliance	No. of Days	X \$1,000/Day	Liquidated Damages
PWC - #2	8/31/07 - 9/11/07	12	\$1,000.00	\$12,000.00
PWC - #4	8/22/07 - 8/23/07	2	\$1,000.00	\$2,000.00
PWC - #6	1/12/08 - 1/29/08	18	\$1,000.00	\$18,000.00
PWC - #10	10/11/07 - 11/2/07	23	\$1,000.00	\$23,000.00
Total				<u>\$55,000.00</u>

Recommendation:

TMHP should consider increasing training for current and future PA staff to ensure that PA requests are processed in a timely manner. TMHP should pay the state liquidated damages in the amount of \$55,000 in accordance with the Service Agreement between HHSC and TMHP.

Management Response:

TMHP PA leadership will conduct retraining with PA staff to ensure that requests pended for incomplete information are processed in a timely manner. The retraining will include a review of the PAC 24 requirement for processing requests within one business day upon receipt of the requested information and PAC 25 requirement for sending the Client Notification Letter for incomplete requests. Incomplete request training for new PA employees will emphasize PAC 24 and PAC 25.

The Medicaid administration contract includes specific liquidated damages for failure to meet service level agreements. The LDs for prior authorization are addressed in Appendix D of the contract. The contract sets forth a progressive and tailored remedies process that TMHP and HHSC follow to address performance deficiencies. The process must be completed as prescribed by the contract prior to the determination of liquidated damages.

Finding 4 - USB Ports Are Enabled on Prior Authorization Systems For Employees Who Work From Home

USB ports are enabled on the computer equipment used by the PA employees who work from home. Rules and regulations include:

- HIPAA Security Rule, Section 164.310(d)(1): A covered entity must, in accordance with Section 164.306, "implement policies and procedures that govern the receipt and removal of hardware and electronic media that contain electronic protected health information into and out of a facility, and the movement of these items within the facility."
- Texas Medicaid Healthcare Partnership (TMHP) Information Technology Security Policies, Version 2.1, page 18, Section 1.6.2.b: "Workers performing specific business functions including data entry and home keying will not save confidential information data on a worker provided system or removable storage media. All TMHP, customer, provider, or client data must reside on a TMHP network server."

TMHP has not disabled USB ports on PA systems used in homes of PA employees. Flash drives (a form of removable media) could be used to copy, store, and transport electronic protected health information without the knowledge or consent of TMHP management.

Recommendation:

TMHP should disable USB ports to prevent the use of flash drives or external hard drives to copy electronic protected health information.

Management Response:

The USB ports are required for the current set up of the PA in-home workers' headsets used in conjunction with the Avaya CCQ softphone application. A USB adapter is required to connect the user's headset to the computer. All PA employees whether on-site or in-home are required to comply

with all TMHP information technology security policies, which state that they will not save confidential information data on a worker-provided system or removable storage media. However, in order to mitigate any risk, a terminal server gateway solution is currently being researched, which would prevent the download of data from the TMHP network to the local machine or removable storage media over the VPN connection.

APPENDIXES

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

To determine if TMHP's prior authorization process complies with contractual obligations, Texas Administrative Code, and federal regulations.

Scope

The initial scope of the audit of TMHP's prior authorization covered the period beginning September 1, 2006 and ending March 31, 2008. An engagement letter was issued to TMHP outlining the understanding of the OIG with respect to the audit of the TMHP Prior Authorization Division for the period September 1, 2006 to March 31, 2008. The scope of procedures was based upon an assessment of risk and results of preliminary audit testing. The final scope of the audit for fieldwork testing was determined to be September 1, 2007 to February 29, 2008. Professional judgment was exercised in planning, executing and reporting the results of the audit.

Methodology

The methodology employed throughout this performance audit included objectively reviewing various forms of documentation including:

- TMHP e-OPM (electronic-Online Procedures Manual)
- Request for Proposal part of the Medicaid administration contract
- Texas Medicaid Provider Procedures Manual (TMPPM)
- Quality Assurance reports
- Claims information, and other information maintained by TMHP

The methodology also included:

- Comparing policies and procedures to applicable Texas Administrative Codes (TAC) and contract requirements
- Observing and interviewing operational and administrative personnel
- Performing tests using statistical random samples of data
- Performing test using a judgmental sample of power wheelchair PA requests
- Analyzing various data for aspects of practices, processes, and performance

Criteria Used

- Texas Administrative Code (TAC), Title 1, Part 15
- The contract terms identifying Prior Authorization vendor responsibilities
- TMHP e-OPM (electronic-Online Procedures Manual)
- 2007 & 2008 Texas Medicaid Provider Procedure Manual (TMPPM)
- Health Insurance Portability and Accountability Act, Security Rule
- TMHP Information Technology Security Policies, Version 2.1

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