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November 29, 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-45

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 actions taken by the Department of Health (Health) as of October 29, 2001, to implement the recommendations contained in our audit report, *Monitoring Medicaid Managed Care Contracts* (Report 99-S-15). Our report, which was issued on June 28, 2000, addressed Health's implementation of policies and procedures for monitoring required managed care organizations' (MCOs) performance reports that provide information about recipients' access to medical services, quality of care and financial issues.

**Background**

The objective of the Medicaid Managed Care program is to provide Medicaid recipients with quality health care services and a "medical home" in a local MCO. Health is responsible for administering the Medicaid Managed Care program and the State's 58 social service districts (local districts), including New York City, are responsible for its implementation. Local districts enter into contracts with MCOs in their area and enroll eligible recipients in the MCOs. To help ensure MCOs provide quality care, Health has designed model contracts, which require the MCOs to submit a series of performance reports to Health and local districts. Health and the local districts use these reports as one of several mechanisms to monitor MCOs' compliance with specific Medicaid Managed Care program requirements.

**Summary Conclusions**

In our prior audit, we found that with the exception of three reports, Health generally ensured it received required reports and carried out related monitoring activities. However, the audit found that local districts did not effectively monitor the MCO reporting requirements. The

audit also found wide variations in MCO compliance levels and inconsistent documentation and monitoring of the reports local districts did receive.

In our follow-up review, we found that Health has implemented the recommendations contained in our prior audit report. According to Health officials, they have distributed information to local districts to assist them in developing their MCO report tracking and monitoring systems, expanded their local district reviews to include voluntary local districts and amended the local district reviews to include the MCO reporting requirements.

### **Summary of Status of Prior Audit Recommendations**

Of the five prior audit recommendations, one recommendation was deleted and Health has implemented the remaining four recommendations.

### **Follow-up Observations**

#### **Recommendation 1**

*Recommendation deleted.*

#### **Recommendation 2**

*Implement a process to monitor the submission and content of PCP Auto-Assignment reports.*

Status – Implemented

Agency Action – Health has developed a tracking tool to monitor the submission and content of the PCP Auto-Assignment reports. The amended Medicaid Managed Care model contract in effect as of October 2001 eliminated the requirement for the PCP Auto-Assignment reports. Consequently, Health does not plan to continue tracking these reports.

#### **Recommendation 3**

*Instruct local districts to establish formal managed care report tracking systems to monitor MCO report submission and to follow up on late or missing reports. Advise districts to consider modeling their systems, to the extent possible, on New York City's report tracking system.*

Status – Implemented

Agency Action – Health's Office of Managed Care developed a tracking tool and a reference document to assist local districts in monitoring the MCO report submissions. The tracking tool was distributed to local districts in January 2000 and the reference document was revised and resubmitted to local districts in October 2001.

**Recommendation 4**

*Expand the Local District Managed Care Program Review process to include all local districts (both mandatory and voluntary) with Medicaid Managed Care programs.*

Status – Implemented

Agency Action – Health developed a Local District Managed Care Program Review tool for local districts with voluntary managed care programs. For these districts, Health is conducting on-site program reviews once every two years. These reviews started in June 2000 and to date, the Office of Managed Care staff has conducted reviews at 17 local districts.

**Recommendation 5**

*Expand the Local District Managed Care Program Review evaluation to include all local district managed care contract reporting requirements. Add steps, as necessary, to ensure local districts are effectively using MCO reports.*

Status – Implemented

Agency Action – Health amended the Local District Managed Care Program Review tool used to review local district operations, to include steps to review the policies and procedures in place to monitor the receipt and findings of MCO contract reporting requirements.

Major contributors to this report were Ken Shulman, Bill Clynes, Sheila Emminger and Bob Elliott.

We wish 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: Deirdre A. Taylor