



AN IN-DEPTH BUDGET REVIEW OF THE UTAH DEPARTMENT OF HEALTH

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: RUSSELL FRANSEN

ISSUE BRIEF

Summary

This issue brief follows up on the five recommendations in chapter two made by the Legislative Auditor General in [An In-Depth Budget Review of the Utah Department of Health](#). The Department of Health reports that all five recommendations are in process of being implemented. This brief is for informational purposes only and requires no Legislative action.

Recommendations

The Legislature may want to consider the following motion:

- *The Legislature intends that the Department of Health report to the Office of the Legislative Fiscal Analyst by August 1, 2020 on the status of all recommendations in chapter two from "An In-Depth Budget Review of the Utah Department of Health" that the Department of Health had anticipated finished implementing.*

Discussion and Analysis

Background

The Legislative Auditor General provided five recommendations for the Department of Health in chapter two of its [An In-Depth Budget Review of the Utah Department of Health](#) released in February 2018. As of January 1, 2020, the Department of Health self-reported all five recommendations are in process. The Department of Health anticipates completing all recommendations by June 2020.

The summary information in the sections below include the following information:

- 1) Self-reported status of recommendation by the Department of Health (completed or in-progress or rejected)
- 2) The quotes are the original recommendations from [An In-Depth Budget Review of the Utah Department of Health](#).
- 3) Summary of action taken by the Department of Health.

Status of Five Recommendations

1. In-progress "We recommend that the Department of Health, in conjunction with the Office of the Inspector General, in addition to this current analysis in the future perform a similar Milliman type evaluation, as appropriate, and use that to benchmark plans to determine reasonable cost efficiency target for the [Accountability Care Organizations]." (Chapter 2, Recommendation #1)
 - a. (We concur with the recommendation. The Department will work with Milliman to conduct a similar analysis beginning with the contract period of January 1-December 31,2019. The

Department will use the results of the analysis obtained by OLAG to establish benchmarks as one indicator of the financial performance of the ACOs.)

- b. (In Progress: The Department is working with Milliman to conduct the efficiency analysis for calendar year 2018. There is not enough run out to complete calendar year 2019 until the fall of 2020. In addition, Milliman is including a quality component to the analysis which was not included in the original analysis. The results of the analysis should be available no later than the end of March 2020 to inform SFY 2021 rates.)
2. In-progress “We recommend that the Department of Health use the results of the efficiency evaluations to improve efficiency and maintain historical cost efficiencies once they have been achieved.” (Chapter 2, Recommendation #2)
 - a. (We concur with the recommendation. As discussed in the response to Recommendation 1, the Department will use the results of the analysis to establish benchmarks as one indicator of financial performance. Also, the Department will work with Milliman to determine the best way to incorporate identified efficiencies in the rate setting process.)
 - b. (In Progress: The Department will use the efficiency analysis for CY 2018 to inform SFY 2021 rates.)
3. In-progress “We recommend that the Department of Health use the results of the efficiency evaluations to determine how to best distribute the recipients who do not have a predetermined [Accountability Care Organization] to join.” (Chapter 2, Recommendation #3)
 - a. (We concur with this recommendation. The Department will develop a plan to use the results of the efficiency evaluation in conjunction with information on ACO quality performance measures to develop a new plan for enrolling Medicaid members that are not assigned to a selected or predetermined plan. The plan will be implemented for the 2019 open enrollment.)
 - b. (In Progress for SFY 2021 rates. Based on the results of the analysis, the Department will determine if this information should be used to assign Medicaid members who did not choose a plan. In addition, any change to the process for enrolling members will require a 1915(b) and 1115 waiver amendments and approval by CMS. The SFY 2021 contracts with accountable care organizations require the collection of additional quality metrics that will be used to baseline ACO performance. Based on the information obtained, we will consider implementing for 2021 open enrollment for SFY 2022.)
4. In-progress “We recommend that the Department of Health set efficiency targets that lead to a more cost-effective program that is achievable and sustainable. The Department of Health should evaluate whether a competitive procurement will help them achieve that goal.” (Chapter 2, Recommendation #4)
 - a. (We concur with the recommendation. The Department will explore establishing efficiency and performance targets that would become part of the ACOs contractual responsibility to the Department. The Department will evaluate and make a recommendation as to whether or not a competitive procurement for ACOs would be beneficial. The Department will share that

evaluation with the Governor's Office and if approved, with Legislative leadership with a request for further direction.)

b. (In Progress for SFY 2021 rates)

5. In-progress “We recommend that the Department of Health provide greater cost oversight of [Accountability Care Organizations].” (Chapter 2, Recommendation #5)

a. (We concur with the recommendation. Through the cost efficiency analysis addressed above as well as new provisions in federal regulation regarding Medicaid managed care contracts, the Department will provide greater oversight of the ACOs' costs.)

b. (In Progress and Ongoing: In addition to the efficiency analysis, plans are required to provide audited financial statements and must complete an Medical Loss Ratio report each year pursuant to federal requirements.)