- Process different between counties:
  - CMOs notified by consultant when a person decides to enroll (Portage, Richland)
  - CMOs not notified by consultants (LaCrosse, FDL and Milwaukee)
- Puts a face on the system that might not otherwise be present in helping them clearly understand what options they have to choose from
- Operate more as an intermediary to ensure clarity for the individual and/or their family

- Recommendations for improvement for Enrollment Consultants
  - No specified or standardized reporting method and format between the Resource Center and Enrollment Consultant.
  - Currently, only Fond du Lac and Richland counties use the detailed, electronic reporting format based on the PACE and Wisconsin Partnership programs, which was provided by DHFS to the CMOs as an example. Investing time up front to accurately complete and detail consumer information will benefit the program by ensuring that participants in all five CMO counties moves through the Enrollment Consultant process at a pace where quality is not compromised.
  - Richland County (smallest county) is the only pilot that has regular meetings (twice a month) with their Enrollment Consultant -- might benefit from regularly sharing information with an Enrollment Consultant to make certain that any recurring problems or inconsistencies consumers might be facing can be addressed and rectified.
- Provider network capacity
  - Evidence that there is adequate capacity to serve the membership. However, provider network capacity could not be evaluated as part of the Independent Assessment because the provider network data available from the Department was in various documents and was incomplete.
  - Most frequently mentioned shortage was that of home health care workers – primary reason was that Medicaid reimbursement rate is low.
  - CMOs cited few instances where members desired a provider not in the network and fewer instances where they could not come to terms with the provider chosen by the member.
  - CMO is required to pay the provider the comparable Medicaid rate for that services
- Varied from Medicaid payment rate (2 examples of flexibility to better serve members):
  - Portage County –waiver to pay over the Medicaid rate for adult diapers – the CMO would indicate in its plan the reason the higher quality product was needed
  - Fond du Lac County – transportation variance waiver – Medicaid transportation has numerous authorization codes and associated rates. FDL wanted to collapse categories for a more streamlined billing and payment process.
- Disenrollments
  - 11.1% disenrollments (CY 2000-02) – excluding deceased decreased to 5.6% (well within national norms)
  - Reasons for disenrollment:
    - Other ways of meeting long-term care needs
    - Concerns about cost-share and estate recovery requirements
    - Prefers fee-for-service care, including nursing home care
    - Milwaukee County – enroll in other Medicaid managed care (Partnership Program)
  - Failing to examine and review data for isolated quarterly and annual time periods prevents DHFS from being able to readily identify instances of excessive disenrollment trends and patterns. DHFS has been working with the Resource Centers to develop new guidelines for recording and reporting disenrollments.
  - **Recommended that DHFS establish disenrollment "red flags" based on information that has been collected and analyzed thus far. By utilizing historical data from the program DHFS staff will be better suited to recognize trends and**

patterns, understand them more thoroughly, and differentiate them from anomalies. (pg. 38)
  - **Recommended that DHFS survey those individuals who chose to disenroll from the Family Care program as to why and utilize this information to discover areas in where the program can be strengthened and demonstrate greater member retention. (pg. 39)**
- Quality of Service
  - Share responsibility between DHFS, RC and CMOs
  - Contract specific QA/QI (quality assurance and quality improvement) requirements
  - At minimum, system must include data on utilization, grievances and appeals, and disenrollments.
- CMO certification process
  - Demonstrate adequate availability of providers to meet preference and needs of potential enrolled members
  - Show not merely creating a situation where members are steered to existing residential slots, treated as individuals whose preferences are honored.
  - Annual site reviews – teams of DHFS, relevant LTC provider, RN, social worker and consumer if possible

- CMO success stories (some examples) (pg. 43-44)
  - All CMOs have begun developing specialty teams for special or challenging populations. (exs. mental health expertise and substance abuse)
  - All CMOs have flexible self-directed support (SDS) programs in place to provide consumers with more input regarding their care providers.
  - All CMOs value good date - in process of improving data collection and recording to be used more at the local level to assist in making policy and fiscal decisions.
- CMO management team turnover
  - Overall turnover rate for 2002 was 4% case managers and 5% for RNs
- Influenza and pneumonia vaccinations
  - 3 of 5 CMOs did not report credible vaccination data - need to insure can compare and examine data across counties. Decided not valuable to go back and redo data – rather improve this issue in the future
  - Overall figures for Wisconsin from the BRFSS reveal that 24.1 percent of all individuals surveyed in 2001 received their pneumococcal vaccination while 32.7 percent had an influenza shot in the last twelve months. Wisconsin's rates of immunization for these two conditions, which are very serious among the elderly, are significantly lower than the national rates.
  - **Recommended future efforts specific to Family Care would include efforts to get all members immunized. Further, efforts to analyze data that breaks out findings by gender to see if male Family Care members are following the pattern reported nationally. In general, Wisconsin should strive to reach the U.S. Healthy People 2010 goals for these immunizations in the Family Care target populations. (pg. 52)**

- Performance Improvement Projects (PIP) pg. 52
  - CMO required to do at least one a year and selected from an area of concern for the CMO – develop outcome indicators tat allow them to assess their progress in improving the chosen outcomes.
  - EQRO found additional training is needed to ensure CMOs have ability to successfully carry out PIPs. In initial stages of PIP, need to provide a framework for implementing the PIP
  - **All CMOs had difficulty meeting contract requirements related to specific timeframes for assessment activities. It was recommended that CMOs continue to develop their internal tracking systems so that data can be reviewed more**

frequently to monitor the assessment and planning process. Improved monitoring systems would also allow the CMOs to identify unmet needs and health and safety concerns earlier than possible under current systems. (pg. 56)

  - The "one size fits all" approach may not be efficient. Findings indicate that the use of one tool for all groups can lead to the collection of redundant or irrelevant information, and may also lead to the omission of important data.
  - Even with these differences, a comparison of the three rounds does identify a number of outcomes where there is a consistent upward or downward trend over time. Specifically, People Have Privacy-supports and People Remain Connected to Informal Support Networks-outcomes illustrate a steady pattern of increase over the three rounds. Conversely, People Have the Best Possible Health-supports and People are Satisfied with their Services-outcomes demonstrate a steady decrease over the three rounds.

  - **An average for all three rounds has been computed and is displayed in Table 15. Utilizing this combined average over the three rounds helps to account for some of the observed differences between each round over the three rounds. It is recommended that DHFS use this combined average to establish a baseline from which to measure change in all future survey rounds. (pg. 58)**

- Family Care outcomes compared to other long-term care programs:
  - While Family Care reported better outcomes than the waivers, any meaningful comparisons between the Family Care members surveyed and individuals from other programs must take many factors into account.
  - Managers are aware that their program's performance is routinely assessed using this tool and by the second-year interviews, many of them had experience with this measurement tool. In contrast, care managers in other programs were participating in what they believed to be one-time interviews unrelated to their program's normal performance assessment methods.
- Discussion
  - Overall, a substantial amount of the total variation for each outcome and support stems from differences between the CMOs and the Interview Rounds. These values ranged from fourteen to nearly twenty-nine percent. While one might expect to see some differences between interview rounds, the finding of significant differences does raise questions about the cause of that variation and the possibility of poor inter-rater reliability among interviewers. In order to measure whether or not inter-rater reliability contributed to these differences, contextual level variables (variables unique to the interview round: training, prior experience interviewing, etc.) could be addressed further. Significant differences between the CMOs also warrants further investigation to determine whether these differences are the result of implementation or process differences at the CMO level.
  - The more time an individual spent in Family Care resulted in substantially more frequent indicators of outcomes and supports being present.
  - Those individuals coming to Family Care with prior Medicaid or waiver participation tended to have lower reports of outcomes and supports being present.
- Recommendations and next steps

1. Continue to build upon existing Member Outcome Interview rounds for comparative purposes to understand differences over time.

2. Benchmarks of quality need to be established jointly by the CMOs and the Department if the Member Outcome Interviews are to be utilized effectively as a measurement of quality in the Family Care program.

3. At this time, a clear understanding of interpreting meaning and utilizing results at the CMO level does not seem to be present.

4. Future rounds of the Member Outcome Survey should consider ensuring a sample selection from each county that extends beyond just capturing target group proportions.

5. Finally, the Council will be conducting its reliability testing on Family Care Member Outcome Survey interviewers every six months rather than the previous twelve month schedule.

- Grievance and Appeal System
  - Any act, decision or omission by the CMO, including but not limited to, the quality of care or services provided, and aspects of interpersonal relationships such as rudeness of a provider or employee, or failure to respect the member's rights.
  - Member may file an appeal, orally or written, formally or informally to the CMO, and request a DHFS review of the appeal and/or a State fair hearing. Required to file the grievance within 45 days from the date on the CMO's notice of action.
  - Majority of grievances and appeals filed with the Regional Offices have been service and eligibility related.
  - Beginning July 1, 2003, the Family Care EQRO will be conducting the reviews of the appeals and grievances that would have otherwise been filed with DHFS regional offices. It is hoped that the new process will allow for better data collection on this important program component.
- Cost Effectiveness
  - Waivers must be either cost neutral or must generate cost savings.
  - According to conversations between DHFS and CMS Regional Office staff, Family Care is now viewed as a conversion waiver and is being exempted from the federal standard cost-effectiveness analysis.
  - The total long-term care expenditure per member per month is shown in the top row of Table 21 (pg. 86). At the end of their first year Family Care members are spending about $755 per month more than other similar Medicaid recipients on average, other things equal. Most of the difference is accounted for by higher per capita spending on supportive home care and Community-Based Residential Facilities (CBRF), which are covered under the Family Care benefit. Home health care and prescription drug spending are also significantly higher for Family Care members than for non-members. Significantly less is being spent for State DD Centers and Intermediate Care Facilities (ICF) and also for hospital inpatient care and physician office visits (not covered under the benefit) compared to similar individuals not in Family Care. Differences in utilization between the two groups generally agree with expenditures.
  - Without adjusting for institutional residence, we find that Family Care members have significantly lower nursing home expenditures and utilization than the Comparison Group, and Family Care members have a significantly greater reduction in nursing home use and spending, relative to the Comparison Group.
  - In summary, after controlling for socio-demographic and health-related factors, geographic differences across the state of Wisconsin and those among the Family Care counties continued to exist. The geographic differences warrant greater scrutiny to gain a better understanding of the specific attributes of counties, above and beyond an individuals' particular health status or individual characteristics that are attributable to the differences observed between counties.

    Overall, geographic variation in cost and utilization was relatively strong and directly investigating other factors correlated with long-term care costs and utilization might be productive.

LESSONS LEARNED

A. Findings from site visits

1. In general, the counties feel that Family Care is working in their county to meet consumer needs.

2. The EQRO activities' emphasis on assessment of CMOs' process and inputs is better suited for primary and acute services evaluation than for community-based long-term care services, which has been a challenge for counties.

3. Counties are finding it challenging to serve so many consumers with mental health and AODA diagnoses.

4. The counties find the various Family Care workgroup meetings useful, but offer some suggestions to increase their value.

- RC and provider network workgroups identified as frequently being beneficial
- CMO workgroup – least useful to the counties
- Main issue is the time commitment the workgroup meetings required
- Frequent suggestion was to make more use of teleconferences or videoconferences now that the projects are underway.
- Workgroup agendas are set by DHFS, helpful if counties could have some input on what they would find most beneficial.

5. Counties benefit from the sharing of experiences with other counties, and would appreciate even more DHFS facilitation of this activity, including dissemination of best practices and lessons learned.

- Another suggestion was that DHFS could develop a panel or workshop covering all aspects of Family Care to share with all to help the learning curve.
- One suggestion was to videotape the activities of each county relating to IT and other issues, and distribute these videos among the counties as a way of learning from one another.

6. Counties would appreciate more specific minimum standards from DHFS on information technology (IT) issues, as well as generally more concrete direction on other issues as well.

- One recommendation is that the Department could set minimum standards for IT and work to ensure that all counties are at the same level.
- Another suggestion is that given the data reporting expectations for the Resource Center, the Department could provide specific recommendations of the best software and training to use.

7. Counties have concerns about Member Outcome Interviews.

- 3 CMOs noted concerns and/or complaints from consumers about inappropriate questions in the interviews.

B. **State Identified Lessons Learned**

Site visits, as well as, Family Care workgroup meetings between CMO, RC and state staff provide a number of opportunities for dialogue about positive and negative aspects of the Family Care program.

1.County Issues:

- These are mainly related to having strong leadership within the county that is willing to take a risk in piloting a new program and ending the present system in favor of developing a new model.
- Ability to do detailed strategic planning
- Strong leaders who would advocate for the needed steps to be taken
- Priority for serving the needs of the public
- The pilot sites advise that DHFS should re-evaluate the board structure design currently mandated by Family Care.
- Funding that already exists in counties for long-term support must not be immediately re-directed to other county programs, due to the fact that funding is necessary for start-up costs.
- Important not to make too many promises while informing the community about the program – careful about raising unrealistic expectations about different aspects of the program

2. Management and Infrastructure

- In particular, fiscal management, information technology, and business management tasks were found to be insufficient. Pilot sites suggest that DHFS institute a requirement that new CMOs must have full-time fiscal managers with relevant experience on staff.
- CMO counties to utilize a business enterprise approach, separate CMO funds from the rest of the county budget, and have independent information systems. IT groundwork should be in place ahead of time.

3. Eligibility and Enrollment

- While the single point of entry has provided improvement for Family Care consumers, the eligibility and enrollment process is not necessarily any simpler than the system in place before the implementation of Family Care.
- Economic Support must be integrated into the planning process at the start.

4.Inter-Disciplinary Teams

- It will be important to have a standardized training program available to quickly bring in new people.
- Nursing input was found to be critical for CMO administrative and interdisciplinary teams.
- AODA and mental health issues - suggest training for this should be available early in the process.
- New CMOs from the start should have someone whose responsibility is to manage claims processing, benefits coordination, and securing authorizations.

5.Provider Networks

- Challenge in this area is related to rapid growth in membership
- If counties had good provider relationships prior to the implementation of Family Care, and emphasized open communication when the transition occurred, they have found it possible to maintain those good relations even with increasing expectations and competition.
- Specific suggestions:
  - New CMOs should be required to have at minimum a full-time provider network developer to deal with provider contracts.
  - Collaboration with providers should begin early in the process, and providers should be considered partners and stakeholders in Family Care.
  - Claims can present difficulties, so CMOs should work with providers to ensure CMO staff capacity for claims submissions, and responding to provider questions and disputes.
  - Keeping in the requirement that new CMOs must use the Medicaid rate.
  - Create and support ways to get more complete information on provider costs than is normally available via audits and systematize rate-setting.
  - Learn how member outcomes can be achieved by use of informal community supports.

6. Quality

- Can take a significant amount of time to learn about QA/QI. DHFS can help by providing specific and clear guidance from early on regarding expectations for quality programs.
- Emphasized that Family Care's focus on improvement for consumers, as opposed to a regulatory basis, is a key part of Family Care's success and needs to be maintained.

7. DHFS Role

- Must be good relationship between DHFS and counties
- Beneficial that DHFS allowed the CMOs to begin slowly and gradually moving toward full implementation. As Family Care expands, DHFS and its staff must maintain this level of commitment and flexibility to ensure the program will work.
- DHFS could have provided clearer definitions of roles, responsibilities and expectations for CMO management structure and process development.
- DHFS could also have provided more facilitation for sharing of best practices
- and other information among the pilot sites.

8. COP/Waiver Counties

- CMO suggestions for counties preparing for Family Care or adopting some of its features:
  - Begin to get teams together for case managers and other staff.
  - Allow case managers to begin making some independent decisions, and taking responsibility for them. This will help them prepare for the decision-making responsibility that comes with Family Care.
  - Put in place a full-time provider network developer, adding quality requirements to provider contracts.
  - Pay providers in a per-person per-service basis. This places the risk of having adequate members on the provider, instead of the county.
  - Foster growth in expertise about mental health and AODA issues.
  - Learn the full meaning and implications of consumer choice.
  - Provide training about consumer outcomes, the RAD, and risk agreements.
  - Create and support ties between fiscal and case management staff.

Questions February 13 Hearing on Family Care

- The APS Healthcare independent assessment for the waiver renewal was presented in December for the waiver renewal. What is the current status of the waiver renewal?

- APS Healthcare references the work of a number of other groups external to the Department. What are the several other groups conducting reviews and evaluations, and which of them are required under the terms of the waiver?

- APS Healthcare notes that the cost experience in Milwaukee "masks" the cost experience in the other counties with care management organizations. Does the APS Healthcare study identify features of other counties that would have the more favorable cost experience with Family Care? Which counties would be more likely to have the Milwaukee experience?

- The Lewin Group proposes that an appropriate time period for more firm conclusions on cost-effectiveness would be 2004-2005, given the dates for full implementation of the pilot program. Does APS Healthcare have a position on this question?

- APS Healthcare notes that it controlled for individual characteristics in examining the costs of Family Care. If individual differences do not account for the different cost-effectiveness results in Milwaukee, could it be the generally higher cost of health care services in Milwaukee?

- In your view, under what circumstances should the Family Care program be expanded?

- Does either report contain cost-effectiveness data and findings to support expansion of the resource centers to additional counties?

Asbjornson, Karen

From: Matthews, Pam
Sent: Wednesday, February 18, 2004 5:14 PM
To: Asbjornson, Karen
Subject: Committee report for Family Care

Hi Karen,

I received a call from someone wanting a copy of the ROCP. I explained that you are handling that and that I would forward their info to you so when you are finished you could send them a copy.

Liz Ford
Wisconsin Coalition for Advocacy
2040 W. Wisconsin Ave., Ste. 678
Milwaukee, WI 53233

e-mail: lizf@w-c-a.org

Thanks,

Pam

Pamela B. Matthews
Research Assistant
Office of Representative Sue Jeskewitz
24th Assembly District

Office: 608-266-3796
Toll Free: 888-529-0024
Pam.Matthews@legis.state.wi.us

done ✓

last guy to speak at Family Care hearing

Hlth? Sue call?

Asbjornson, Karen

From: Halbur, Jennifer
Sent: Thursday, March 04, 2004 5:53 PM
To: Asbjornson, Karen
Subject: FW: Family Care Program

CR inbox

-----Original Message-----
From: Jerry Kallas [mailto:jkallas@wi.rr.com]
Sent: Thursday, March 04, 2004 4:52 PM
To: Rep.Jeskewitz@legis.state.wi.us
Cc: Tom.Reynolds@legis.state.wi.us; Sen.Roessler@legis.state.wi.us; Rep.Staskunas@legis.state.wi.us; Sen.Kedzie@legis.state.wi.us; Sen.Darling@legis.state.wi.us
Subject: Family Care Program

Dear Representative Jeskewitz

I appreciated the time you took with me on February 13, 2004 after the Joint Audit Committee meeting. It many ways, I was disappointed in what was said by the participants. There seemed to be a lot of fgalse enthuiasm. The only person who seemed to have a handle on what's really happening was Secretary Nelson.As you remember, I was the only one who spoke for the providers, and did not have very much time, since it was getting late, and was the last person to testify

Anyway, the two main points I wanted to make were that the majority of providers were being paid less than cost for performing services to Family Care clients, and I felt the main reason for this was that the counties were not being paid an adequate monthly capitation rate for each enrollee. In the case of Milwaukee County, they are currently being underfunded because some of their funds are being diverted to the other counties in the pilot program.

2004		
CMO County	**Comprehensive**	**Intermediate**
Fond du Lac	$1,881.07	$674.49
La Crosse	$1,764.17	$674.49
Milwaukee	$1,810.61	$674.49
Portage	$2,255.32	$674.49
Richland	$1,970.98	$674.49

The capitation rate for Milwaukee county should be at least $350.00 more then what they are currently receiving. This would actually put it at the level that the counties in the COP programs are receiving.

The problem with the current method of calculating the capitation rates lies within the state agency that does the calculations. They are basing their

calculations on the costs they paid for the services the previous year, but will not take into account that these service rates have been frozen for the past 5 years. You and I both know that we cannot buy gas, food, utility services at the same price we paid 5 years ago. Labor costs have gone up for CBRF's on the average of 14% or the equivalent of $1.50/hr. during the past 4 years. When is all of this going to end?

Short of making a blanket accuasation, I beleive DHFS is guilty of fraud in the way they determine the capitation rates paid to the Family Care counties.They intentionally keep these capitation rates artifically low, rather than reveal and report the true cost of administering assisted living care services. It makes them look like they are really acheiving a 'cost saving', but at who's expense.If they really wanted to know what actual costs are, all they have to do is review the annual financial audits submitted by the Family Care providers, or just review what is currently being paid to providers in the COP funded counties. When you have 80% of responding Family Care providers able to document that they are being paid under their real cost of providing assisted living services, this should send up some serious red flags about the Family Care Program reimbursement procedures. The statement by DHFS officials that if a provider is not satisfied with hs reimbursement, they should just drop out of the program. This really is a "cop out" statement on the part of these DHFS officials, since they have no other answer to give! Most providers have a mission in that they want to care for our seniors and do not want to drop out of the Fanily Care program if it can be avoided. If an exodus of providers should occur, who will care for the seniors? Do we put them back in nursing homes, like what was done 20 and 30 years ago?

I would appreciate hearing from you at your earliest convience as to how a solution can be arrived at to provide adequate reimbursement to the assisted living providers in the Family Care program. As a side note, most providers in the COP funding counties have not complaining about their reimbursements. Maybe there needs to be a major shakeup in DHFS. I do have the following suggestions:

1. Let DHFS expand the Resource Centers to additional counties to provide a modus oporandi for a senior to find out what resources are really available in their counties, and act as a counseling center for the seniors and their needs to find ways around the problems of waiting lists and funding shortfalls.
2. Do not under any circunstances expand the Family Care program by including new counties for the capitation rate portion of the program until the problems with the current 5 counties are resolved and the current providers are compensated adequately
3. If the program is to succeed in the long run, more federal, state and medicade funding will have to be found, and soon!
4. Commission an independent study of the current Family Careproviders as to their reimbursements and satisfaction level.

It is obvious that the Lewin Report avoided this subject.

Again, I did appreciate the time you took with me to talk with me after the meeting You reassurred me that you would review my written testimony report to the Joint audit committeein detail. However, I still have not heard from you or your legislative aide. I also will take your suggestion to call you husband to discuss some of what I feel are defiencies in the Waukesha County COP program.

Gerald J. Kallas M.D.
Senior Residential Care
N14 W30022 High Ridge Road
Pewaukee, WI 53072

Asbjornson, Karen

From: Asbjornson, Karen
Sent: Friday, March 26, 2004 10:24 AM
To: Matthews, Pam
Subject: Re: Jerry Kallas Family Care person - no rush!

Just sorting through stuff that I went through with Carol this week and she reviewed the email the Co-Chairs received regarding Family Care. Carol was wondering if Sue had called him since it is addressed to her or if there is some sort of planned response.

Thanks!

Karen Asbjornson
Office of Senator Carol Roessler
(608) 266-5300/1-888-736-8720
Karen.Asbjornson@legis.state.wi.us

SUE JESKEWITZ

State Representative • 24th Assembly District

April 6, 2004

Ms. Helene Nelson, Secretary
Department of Health and Family Services
1 West Wilson Street
Madison, Wisconsin 53703

Dear Ms. Nelson:

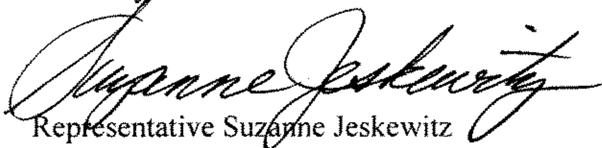
Thank you for the testimony you offered before the Joint Legislative Audit Committee at its recent hearing on the Family Care program. Your testimony, and that offered by representatives from The Lewin Group and APS Healthcare, served to enhance my understanding of the pilot program and its operations.

At the public hearing, the Committee also had an opportunity to hear the comments and observations on the program offered by members of the public. One of the individuals to testify was Dr. Gerald Kallas, a provider of medical services to Family Care participants in Milwaukee County. In his testimony, Dr. Kallas suggested that the majority of Family Care providers in his area were paid less than the cost of the services they provided to Family Care participants. Dr. Kallas recently contacted me to follow-up on his testimony and to again express his belief that the State's methodology for establishing capitation rates for Family Care counties was responsible for below-cost payments to those providing services to Family Care participants.

I write today to request your consideration of the concerns raised by Dr. Kallas. Specifically, how is the capitation rate determined? Is it based on prior year payment levels that were "frozen" for a number of years? Has the Department received similar complaints from other providers of Family Care services? Should a number of providers choose to stop serving Family Care participants due to inadequate payment, how stable is the provider network in each pilot county? Finally, what process does the Department use to consider and respond to provider complaints (i.e. where can a provider of Family Care services go to raise concerns about the program?)

Thank you for your attention to this matter. Your assistance is greatly appreciated and I will carefully consider your response.

Sincerely,



Representative Suzanne Jeskewitz

cc: Dr. Gerald Kallas

Capitol Office: Post Office Box 8952 • Madison, Wisconsin 53708-8952
(608) 266-3796 • Toll-Free: (888) 529-0024 • Fax: (608) 282-3624 • Rep.Jeskewitz@legis.state.wi.us
24th Assembly District: N80 W15239 Hilltop Drive • Menomonee Falls, Wisconsin 53051
(262) 251-9595 • Fax: (262) 251-9594

State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

APR 27 2004

April 22, 2004

The Honorable Suzanne Jeskewitz
24th Wisconsin Assembly District
314 North, State Capitol
Madison, WI 53702

Dear Representative Jeskewitz:

I am responding to your questions about how rates are set for the Family Care program and their adequacy in maintaining a stable provider network for Family Care participants.

The Department is committed to providing a capitation rate sufficient to cover the cost of care and administration, plus a reasonable allowance for the risk associated with meeting the changing long-term care needs of Family Care members. Federal law requires managed care programs to have actuarially sound rates, developed in accordance with generally accepted actuarial principles and appropriate for both the population to be covered and the services to be furnished.

The capitation rate for the first two years of Family Care were based on historical costs from 1998 and 1999 of those specific people actually enrolled in the program. These historical long-term care costs were then increased based on both the expected declines in the health of enrolled individuals and health care inflationary factors. These acuity and trend factors were calculated by the Department's contracted actuarial firm, Milliman USA. Significantly, home and community-based waiver rates that had been previously frozen have been trended forward in Family Care rate development since the program's inception.

The Family Care rate setting methodology has evolved from the analysis of average historical costs to a functional assessment-based rate. Cost data are always increased from the base year with health care inflationary factors. Other state Medicaid agencies have expressed strong interest in the Family Care rate setting model, because it expressly recognizes the long-term care needs of program enrollees. Further, an independent assessment of the Family Care program conducted by APS Healthcare found that the Family Care rate setting methodology is sound, and that it has been continually improving since inception. A more complete description of the rate-setting methodology can be found in the APS report at
http://dhfs.wisconsin.gov/LTCare/ResearchReports/IA.pdf.

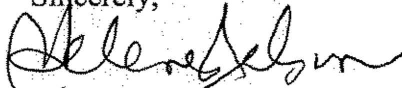
For Family Care services covered in the Medicaid State Plan, such as home health, the local care management organizations (CMOs) are required to pay no more than the Medicaid rate, unless a higher rate is approved by the Department. For the Family Care services also covered by the home and community based waiver programs, including residential care, the local programs negotiate their own rates with providers. A goal of the Family Care program is to develop a more cost-effective system that will be sustainable into the future, and the local programs are developing contracts and rates with providers to help achieve that goal. The Department has had very few contacts from providers about rates, and we are not aware of any providers who have stopped contracting with a Family Care CMO because of the rates offered.

Each year, before renewing the local CMO's contract, the Department reviews the CMO's contracted provider network to assure there is adequate capacity to serve the current and projected membership for the next year. The CMOs are also required to have adequate capacity to offer choice of providers to members in each service area. We believe this annual certification provides adequate assurance of the stability of the provider network.

To raise concerns about the program on the local level, providers can contact the CMO, the CMO's governing board (in this case, the Milwaukee County Commission on Aging), or the Local Long-Term Care Council. For issues concerning denial of payment, providers may submit an appeal to the local CMO within 60 calendar days of the CMO's initial denial. If the CMO fails to respond or the provider is not satisfied with the CMO's response, the provider may appeal to DHFS. By contract, the CMO is required to abide by a DHFS decision about disputed claims.

Please do not hesitate to contact me if you have additional questions or concerns.

Sincerely,



Helene Nelson
Secretary

SUE JESKEWITZ

State Representative • 24th Assembly District

May 6, 2004

Gerald J. Kallas M.D.
Senior Residential Care
N14 W30022 High Ridge Road
Pewaukee, WI 53072

Dear Dr. Kallas:

Your testimony at the Family Care hearing, regarding service provider's dissatisfaction with reimbursement rates for services rendered, was of great interest to me. Therefore, I was happy to request a detailed explanation from Secretary Helene Nelson as to how these rates are determined. I have just received her response and am enclosing a copy for your information.

I was pleased to see the level of detail in Secretary Nelson's letter responding to the questions posed to her in my letter dated April 6, 2004. She clearly articulated how the department arrived at the capitation rate and how it has changed over time. Secretary Nelson also mentions that there has been little contact with the department from service providers.

Particularly of interest to me is the second sentence in the second paragraph that begins, "federal law requires managed care programs to have actuarially sound rates ..." This statement leads me to believe that the rates set by the department are based on sensible principles. Additionally, Secretary Nelson reminds us that APS Healthcare found our methodology to be sound. If you do not have a copy of their report you can access a copy of it at the website found at the bottom of the first page. I might also point you to the last paragraph on page two that lists a number of contacts that may be of help.

I truly appreciate your raising this important issue. It is very essential for the legislature to hear from the people affected by the programs we create and I hope I have been able to assist you in getting answers to the questions you raised.

Sincerely,

SUZANNE JESKEWITZ
State Representative
24th Assembly District

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County's struggling Family Care might have to repay state $3.3 million

By DAVE UMHOEFER
dumhoefer@journalsentinel.com

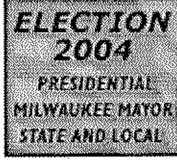
Posted: May 12, 2004

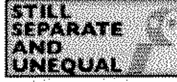
Milwaukee County's Family Care program for the elderly, already running a deficit approaching $2 million for last year, also faces the prospect of repaying $3.3 million in state and federal funds because client care needs were overstated.

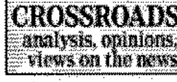
State officials are intent upon collecting the overpayments, covering 2001-'03, but not right away and perhaps not in one lump sum. Stephanie Sue Stein, county Department on Aging director, has told County Board leaders the repayment might be challenged or negotiated.

Stephanie Sue Stein

The overpayments stem from delays by the







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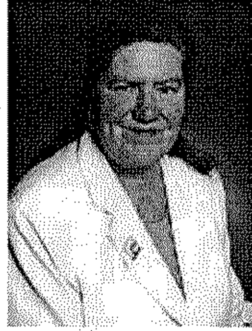
county in alerting the state when an older adult's required level of care had fallen, the state says. The delays caused the state to overpay for care, said Judith Frye, associate administrator in the state's Division of Disability and Elder Services.


Photo/File

“We were too big to operate just with county fiscal staff, while other counties were able to.”

- Stephanie Sue Stein, director of the Milwaukee County Department on Aging

Recent Coverage

5/11/04: Family Care program's $2M deficit likely to put county in red

Frye said county officials were told of the estimated $3.3 million in overpayments early this year and were notified in writing in March. Stein informed County Board Chairman Lee Holloway on April 9.

County Budget Director Stephen Agostini said he has recommended that the county devise a plan to repay the state over time.

Program under new scrutiny

The double dose of bad news is putting Family Care under a microscope at the courthouse, where County Board supervisors are eager to learn how the fiscal problems developed and why they were not brought forward sooner.

County records show that the program struggled with solvency, management issues and deficits in 2002 and 2003. But county supervisors were not given a hint that county tax dollars were at risk due to deficits or errors. An experiment in giving seniors more care options to allow independence, the program is supposed be 100% funded through state and federal dollars, mostly Medicaid.

Understaffed, way behind on basic accounting and unable to keep up with managing the enrollment and eligibility end of the program, the county was serving hundreds more seniors than it would ultimately get

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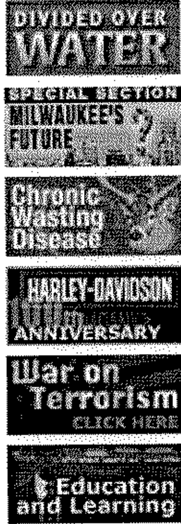

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payment for, records show. That led state officials in late 2003 to add a contract requirement for 2004 that Milwaukee County hire a chief financial officer and chief operations officer for the program by March 1.

Around the same time, by December 2003, top aging department officials were informed of a projected $300,000 Family Care deficit for the year, a department-prepared summary shows. That figure later grew.

Trying to meet the state's new requirement and get the fiscal issues squared away, Stein sought County Board approval in January to hire the CPA firm of Hoppe & Orendorff to take over Family Care's money management. The 11-month contract for up to $500,000 went before the board's Health and Human Needs Committee on Jan. 28.

Stein's report to the committee made no mention of the behind-the-scenes scramble to repair the program. She mentioned that it would meet the state's contract requirements for 2004.

Supervisor Willie Johnson Jr. asked Stein at the time if any of the other four counties running Family Care organizations were being forced to hire additional fiscal help.

Stein said they weren't and attributed that to the larger volume of cases handled by Milwaukee County compared with the smaller counties included in the pilot program.

"It's much less difficult to serve 400 compared to 5,000 people," she told Johnson.

Stein also said at that January meeting that bringing in Hoppe would help the county compete for the 2005-'09 Family Care contract. The county is competing, but only as a subcontract partner with a local non-profit group. It faces competition from Independent Care Health Plan, a Milwaukee-based, for-profit company, and from Evercare, a Minnesota-based subsidiary of United HealthCare Insurance Co.

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On Wednesday, Stein was asked if her answer to the committee constituted full disclosure.

"It was an honest answer," she said. "We were too big to operate just with county fiscal staff, while other counties were able to."

Savings not seen

Family Care has ended waiting lists and helped thousands of seniors get quality long-term care in each of the five counties where full Family Care pilots are under way, according to a 2003 independent review of Family Care mandated by the federal government.

That review, however, showed that another goal of Family Care - reducing the cost of such care - was met in Fond du Lac, La Crosse, Portage and Richland counties, but not in Milwaukee County.

Top state health officials believe the lack of cost-effective management by Milwaukee County helps explain that.

"The two are linked," Frye said.

Stein believes the answer is more complex. The counties' client mixes are different, and the ethnic diversity in Milwaukee means added costs for interpreters and other special services, she said. And the county has a large number of seniors with developmental disabilities and mental health problems, she added.

Milwaukee County officials have tried to deflect some of the blame for their Family Care deficit onto the state, noting disputes over rates, rules and enforcement issues.

Relations became tense in 2003 as Stein's agency fell behind on accounting and could not catch up.

In May 2003, a state official trying to get a solvency plan from Milwaukee County told a county aging department accountant of a

warning sign in county records: "(The county) is serving 283 more members than you are getting paid for." The state employee, Greg Robbins, warned the county's John Rogge that the gap "will continue to present significant financial issues . . . if it is not corrected."

Rogge, interviewed Wednesday, said the county's Family Care office was so understaffed that he was pulled off Family Care accounting tasks for most of 2003 to help the frantic effort to solve the enrollment gap.

He said a county hiring freeze blocked the addition of more fiscal staff.

From the May 13, 2004 editions of the Milwaukee Journal Sentinel

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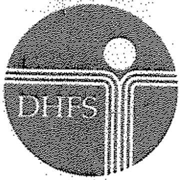


State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

MAY 24 2004

May 21, 2004

The Honorable Senator Roessler
Joint LegislativeAudit Committee
P.O. Box 7882
Madison, WI 53707-7882

The Honorable Representative Jeskewitz
Joint Legislative Audit Committee
P.O. Box 8952
Madison, WI 53708-8952

Dear Senator Roessler and Representative Jeskewitz:

Thank you for your letter in which you express disappointment that the Milwaukee County Department on Aging's fiscal problems were not discussed at the February 2004 Joint Audit Committee hearing.

The subject of the February 20th hearing was the results of two independent evaluations of the Family Care program. The more recent of these, prepared by APS Healthcare, Inc., included results through calendar year 2002. As noted at the hearing, the APS Healthcare report showed Family Care to be less cost-effective in Milwaukee County than elsewhere, even at that early date. In my written testimony, I said:

> "We will identify and correct the causes of the Milwaukee CMO's less desirable cost-effectiveness results. Certain features of that community and of the clientele it serves make it possible that, even with the best local management, it may have taken longer to achieve the desired cost effects in Milwaukee County. However, the Department and the Milwaukee CMO believe that management of that CMO can be improved to achieve better cost effectiveness. The county has completed an assessment [the report prepared by Cinda Mentz] that outlined several areas in which management practices can be improved; by March 1, the CMO will have in place a Chief Operations Officer and a Chief Financial Officer to carry out these improvements. Cost-effectiveness can and will be achieved in Milwaukee County."

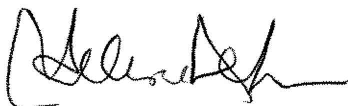
At the time of the hearing, the County had not yet closed the Family Care program's books for the 2002 year, and could not, therefore, state its opening balance for 2003. Stating its 2003 fiscal closing position was not possible at that time. Department of Health and Family Services (DHFS) staff have worked diligently throughout the past year and one-half to assist Milwaukee County in bringing the Family Care program under better fiscal management and to improve eligibility and enrollment processing. The report by financial consultant Cinda Mentz confirms that issues identified by state staff were indeed those requiring the Department on Aging's attention.

The Family Care contract requires monthly financial reporting by the Care Management Organization (CMO) to DHFS. DHFS staff have monitored these reports closely. We were aware throughout 2003 that reports from Milwaukee County were inaccurate and changed significantly from month to month. We offered technical assistance and repeatedly requested realistic corrective action plans. However, because the Department on Aging was unable to provide accurate financial information, the 2004 DHFS Family Care contract with Milwaukee County required that the CMO retain a Chief Financial Officer (CFO) by March 1, 2004. The State's requests for corrective action; the Mentz financial management review; the 2004 contract's requirement for a CFO; and the retention in January 2004 of Hoppe and Orendorf, SC, a financial consulting firm, made it possible in April 2004 to clarifying the actual fiscal condition of the Department on Aging.

DHFS has now received a copy of the full Mentz report and a copy is included as you requested.

Despite these fiscal issues, the CMO provides quality care to more than 5,000 seniors in Milwaukee County. There are no more wait list for Family Care services in the county. I firmly believe we must work together to ensure that the Family Care program continues in Milwaukee County.

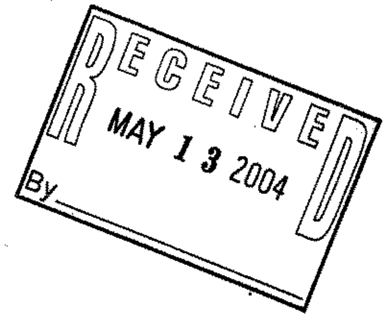
Sincerely,



Helene Nelson
Secretary

Attachment: Mentz Report

cc: Sinikka Santala, Administrator DDES
Judith E. Frye, Associate Administrator DDES



FISCAL OPERATIONS ASSESSMENT OF THE

Milwaukee County Department on Aging Care Management Organization (CMO)

November 28, 2003

Prepared by:

Cinda H. Mentz
Certified Internal Auditor
P. O. Box 320182
Franklin, WI 53132
(414) 460-8035
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MCDA CMO Fiscal Assessment

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Background

On September 25, 2003, representatives from the Wisconsin Department of Health and Family Services (DHFS) met with the Milwaukee County Department on Aging (MCDA) staff to discuss a number of issues of concern relative to MCDA Care Management Organization (CMO) operations.

One issue of discussion involved the financial solvency of the CMO, and was based, in part, on meetings, discussion and correspondence from November 2002 between DHFS and the CMO wherein the state expressed increasing concerns that the CMO was not meeting its contractual requirements in the areas of fiscal operations, reporting and monitoring.

In response to the state's concerns, and in an effort to identify areas for fiscal improvement, MCDA initiated this limited scope assessment of its fiscal operations. The primary focus of the assessment centered on CMO fiscal operations. However, because CMO fiscal operations are periodically integrated with department-wide fiscal operations for purposes such as periodic and year-end reporting, year-end close and the County's annual audit, the assessment also included a limited scope review of department fiscal operations.

Correspondence from DHFS to MCDA dated October 20, 2003 indicated a desire to proceed with draft language affecting the 2004 CMO contract that would require MCDA to engage a senior operations/financial officer with the authority to direct CMO daily and financial operations, pending completion of the fiscal assessment. Given the potential organizational impact that such a directive might have on the CMO, and given the incomplete and untimely nature of CMO financial information prepared to date, this fiscal assessment was conducted as a limited scope review in an effort to provide timely results to MCDA and DHFS in order for contract negotiations to proceed and for key decisions to be implemented in advance of a new contract period starting in 2004.

Approach

As the basis for conducting the fiscal assessment, the following was performed:

- Reviewed fiscal requirements in the 2003 Health and Community Supports Contract between DHFS and the MCDA CMO, (as amended);

- Reviewed Milwaukee County ordinances and procedures related to accounting, fiscal management and financial reporting;

- Reviewed the goals of the 2003-2004 CMO strategic plan, including a status update of goals directly related to fiscal operations;

- Reviewed Wisconsin State Statutes, Wisconsin Administrative Code and related state laws and regulations;

- Examined the Provider Agency Audit Guide, the State Single Audit Guideline for Resource Centers and Care Management Organizations participating in Family Care and the Family Care Audit Guide (2003 revisions);

- Conducted interviews with MCDA fiscal staff, Milwaukee County fiscal staff, representatives of DHFS as well as independent accountants and independent information technology consultants to the MCDA CMO;

- Reviewed sample MCDA CMO documentation generated by or in support of CMO fiscal operations, such as standard contracts, financial schedules and spreadsheets, standard activity reports, journal vouchers, monthly and quarterly financial reports, etc.;

- Reviewed position descriptions for selected CMO fiscal staff positions, including those under development during the review;

- Reviewed correspondence between DHFS and the MCDA CMO regarding fiscal solvency, financial reporting, and CMO fiscal management; and,

- Analyzed CMO financial information submitted to DHFS to measure compliance with CMO contract requirements.

Findings and Recommendations

The following subsections address specific findings of non-compliance with formal business requirements and identify areas of significant weaknesses as they relate to CMO fiscal operations. Based on these findings, recommendations have been developed and are designed to assist management in taking corrective action targeted at strengthening CMO fiscal operations and improving the overall fiscal management of the MCDA.

Organizational Structure

Under the current organizational structure, there is a lack of accountability for key fiscal management responsibilities as required in the CMO contract. This is due, in part, because many critical CMO fiscal management responsibilities are shared. Specifically, many key fiscal issues affecting CMO operations are made jointly by the Assistant Director - Long Term Support Services and the MCDA Assistant Director - Fiscal and Support Services, both of whom have acknowledged having little or no formal accounting training relative to financial statement preparation, government accounting standards and generally accepted accounting principles.

A number of operating conditions support this observation including, but not limited to, the following:

a. *Continued non-compliance with CMO contract requirements* to establish and maintain a financial management information system, and related accounting policies and procedures, to ensure timely, accurate and complete financial reporting.

b. *Inability to establish and maintain accounting systems* that are adequate to manage the business needs of the CMO. For example, periodic reconciliations between the CMO's internal accounting system (Peachtree) and the County's general ledger financial system (Advantage) were not performed. Further, ongoing transaction maintenance in both systems, required to ensure accurate and timely representation of CMO financial conditions, was not regularly performed.

c. *The absence of fiscal plans or procedures* to address 'mission critical' fiscal operating components. For example, MCDA is challenged to effectively manage financial risk associated with the CMO because cash reconciliations, solvency monitoring and projections, and capitation rate reporting and projections as required by contract are not regularly performed.

d. *The lack of prioritization of routine fiscal tasks*, such as regular financial reporting, that would otherwise provide the CMO with timely and accurate information regarding fiscal conditions. In addition, such prioritization might better prepare the CMO to respond to unexpected fiscal operating emergencies (and the corresponding increased information demands) that may arise as a result of conditions and/or parties external to the department.

In addition to non-compliance with fiscal requirements in the CMO contract, there are other conditions that dilute accountability for key fiscal management responsibilities. In some instances, such financial management responsibilities are delegated to CMO fiscal staff who lack the organizational authority, and in some instances, the depth of understanding of the CMO operations, required to satisfactorily complete fiscal tasks in a timely and accurate manner.

For example, CMO fiscal staff are challenged to complete CMO budget to actual reports because budget appropriation transfers necessary to accurately state Family Care revenues and expenditures in the County's financial system are not done, or are not processed on a timely basis. Budget appropriation transfers require review and approval by the Department of Administrative Services and the Finance and Audit Committee of the Milwaukee County Board of Supervisors.

As another example, the Accounting Manager has primary responsibilities for department-wide year end closing, which includes the CMO, however, this position has had little to no involvement in the day-to-day fiscal operations of the CMO. (Up until January 1, 2003, the position reported to the Assistant Director of Fiscal and Support Services, and due to County-wide restructuring of central accounting services, the position now reports to the County controller. However, this change has been largely theoretical, with no apparent practical operating implications to date.) As a result, basic accounting tasks generally associated with year end closings, such as reconciliations, variance analysis, and journal entry preparation are difficult at best because the Accounting Manager does not possess detailed knowledge of CMO fiscal operations that would normally be acquired throughout the year which would facilitate such routine tasks.

Finally, accountability for fiscal management is diminished by the fact that CMO fiscal staff are often asked to report to multiple managers on a single project. Unclear lines of authority that are subject to change based on the nature or substance of any given financial issue results in a general lack of accountability for 'bottom-line' results.

Based on its own observations, DHFS has identified the need for senior financial management in the CMO. The results of this assessment support that recommendation.

Recommendation #1

To establish accountability for CMO fiscal operations and to properly assign responsibility for financial management of the CMO, MCDA should:

a. ***Establish a Chief Financial Officer position in the CMO that has a direct reporting relationship to the Assistant Director - Long Term Support Services, with 'dotted-line' reporting authority to the Director.***
b. ***Centralize CMO fiscal staff under the direction of the CMO Chief Financial Officer to include the following positions: Accountant IV, Fiscal Analyst (2 positions), Accountant III, and Clerical Assistant.***

To properly align the financial management needs of the CMO, minimum qualifications for the Chief Financial Officer position should include the following:

- ***Bachelor's degree in Accounting and licensed as a Certified Public Accountant;***
- ***8 – 10 years experience in accounting, with at least five years in a fiscal management role;***
- ***Industry experience in health care, managed care;***
- ***Demonstrated track record of managing for financial performance results;***
- ***Ability to manage multiple assignments and successfully achieve planned milestones and overall project objectives;***
- ***Experience in team-building strategies, with emphasis on interdepartmental partnerships, as well as with parties external to the organization.***

There are currently 10 full-time equivalent fiscal positions in the Department on Aging of which 4 full-time and one half-time positions are dedicated to CMO fiscal operations (excluding management). The remaining fiscal staff perform accounting duties primarily in support of the Area Agency on Aging and the Resource Center operations, however some CMO transaction activity are performed by non-CMO fiscal staff. For example, payment of CMO invoices (i.e., for internal operating expenditures) and third party administrator contract payment monitoring, are handled by non-CMO fiscal staff.

The fiscal positions dedicated to the CMO, and their general responsibilities, are stated in Table I

TABLE I
CMO FISCAL STAFF AND GENERAL RESPONSIBILITIES

CMO FISCAL STAFF POSITION	GENERAL RESPONSIBILITIES
Accountant IV (I FTE)	Day to day financial operations; including financial statement preparation; fiscal projections (CMO and non-CMO); rate setting methodologies, reconciliations, fiscal analysis, solvency monitoring and planning, risk reserve monitoring, enrollment monitoring; team leader for fiscal related strategic planning initiatives.
Fiscal Analyst (1 FTE)	Quality assurance, with an emphasis on contract compliance, provider site visits and audit recoveries. Assists in rate setting methodologies. Team member of fiscal related strategic planning workgroups. Temporary assignments include fiscal reconciliations and oversight of member cost share billing and collection operations.
Fiscal Analyst (1FTE)	Enrollment reporting and reconciliation; copy and distribute various fiscal reports and bank statements to CMO and non-CMO staff.
Accountant III (0.5 FTE)	Bank reconciliations, enrollment reconciliations. Planning for encounter based reporting reconciliation duties.
Clerical Assistant (1 FTE)	Facilitate paperwork between ESS Unit, Resource Center and the CMO; facilitate member review notification to CMU's. Preparing to do member cost share billing and collections.

Source: Interviews with CMO fiscal staff, Human Resources (DAS) and review of position descriptions.

A review of CMO fiscal staff responsibilities indicates that, in some instances, responsibilities are not appropriately aligned. For example, in carrying out responsibilities related to quality assurance, provider site visits and audit recoveries, the Fiscal Analyst was also responsible for performing all clerical and support work associated with such duties, including processing collection letters and handling checks received.

In these instances, such tasks divert CMO fiscal staff time away from other responsibilities that are of a higher priority or have a greater 'value added' to the CMO based on their impact on financial performance or operating risk.

Of greater concern is the ongoing re-assignment of existing fiscal staff resources to other operating areas, and not always within the CMO, whether or not they are fiscal-related. For example, earlier in 2003, the Accountant IV was temporarily assigned to oversee the workflow of enrollment forms between the Resource Center and the Economic Support Unit due to problems noted with enrollments and eligibility. As another example, this person was also directed to prepare fiscal projections for non-CMO operations. These responsibilities were assigned in addition to the existing workload, and as a result, critical fiscal tasks, including reconciliations and related financial statement preparations were not completed in accordance with contract requirements.

The Fiscal Analyst assigned to perform quality assurance work through provider site visits and audit recovery work was temporarily reassigned to work on fiscal reconciliations. Since that time, this resource has been recently reassigned to oversee cost share billing and collections. Cost share billing and collections was recently brought in-house, and, in the absence of clear operating procedures, it is unknown to what extent such an assignment may have on the Fiscal Analyst's existing workload, or on the CMO's ability to maintain contract compliance with provider network monitoring requirements.

During the review, an attempt was made to measure the effectiveness of assigned responsibilities by quantifying the backlog of work affecting the CMO. Table II lists examples of backlogged work identified by CMO fiscal staff during the time of the review:

TABLE II
EXAMPLES OF CMO WORK BACKLOG

Backlog Item	Backlogged Since
Financial Management and Representative Payee Report	April 2003
Collection of $400,000 in cost shares (a)	2002
Financial statement preparation (b)	2002 year-end and monthly for 2003
Rate analysis (i.e., capitation rates, provider rates, etc.)	2002
Maintaining CMO accounts in Peachtree (b)	June 2003
Bank account reconciliations	May 2003
Enrollment verification and payment monitoring	May 2003
Provider site visits in progress	June 2003
Single audit reviews	Letters to providers re: outstanding audits for 2001; 2002 not yet started.
Audit recovery collections – Ongoing monitoring and enforcement of promissory note provisions re: repayment.	September 2003
Implementation of 2003-04 CMO strategic plan initiatives	September 2003 (c)
Reconciliation of PMPM payments from DHFS to CMO with PMPM payments from CMO to TPA.	2000 (d)

Source: CMO Fiscal Staff Interviews.

(a) CMO fiscal staff in the process of addressing this backlog.
(b) External CPA firm has been hired and is currently working to address this backlog.
(c) Fiscal related initiatives pending until financial reporting requirements per CMO contract are satisfactorily met.
(d) Reconciliation problems due, in part, to ongoing problems with HSRS/Encounter based reporting.

As stated earlier, CMO fiscal staff often finds themselves reporting to more than one manager on a given assignment. Because a formal fiscal operating structure is lacking within the CMO, work assignments, including temporary reassignments are made without clear direction and completion timelines. More importantly, the needs and requirements of the CMO fiscal operations have not been adequately identified and planned for in

alignment with the staffing resources, including quantity and skill levels, as well as fiscal requirements in the CMO contract.

Recommendation #2

To ensure compliance with CMO fiscal requirements and to ensure efficient and effective use of CMO resources, the CMO Chief Financial Officer should:

*a. **Establish a work plan to identify and prioritize backlogged tasks to be addressed, including plans going forward to mitigate future occurrences of backlog;***
*b. **Develop a staffing structure to ensure that:***

   1. The duties currently assigned to the Accountant IV and the Fiscal Analyst (QA/QI) are performed without disruption due to temporary reassignment to other tasks;
   2. The following additional CMO fiscal duties be performed:

      - ***Processing all CMO expenditure transactions (i.e., requisitioning, purchase orders, payment vouchers, review and approval of invoices, expenditure account coding, entry into Advantage);***
      - ***Processing all CMO revenue transactions, including entry into Advantage;***
      - ***Month end reconciliation of CMO general ledger accounts; including variance analysis;***
      - ***Month end analysis of receivables, including write-off estimates, with written explanation of potential impact(s) on CMO fiscal and member service operations;***
      - ***Preparation of financial statements, including all supporting schedules, with notes to the financials;***
      - ***CMO budget preparation, ongoing budget maintenance (i.e., budget appropriation transfers) and monthly monitoring;***
      - ***Preparation of CMO Quarterly Reports, and all other required fiscal reports, as required by Milwaukee County Department of Administrative Services – Central Accounting;***

- ***Preparation and presentation of all CMO fiscal items to department management, County Board committee(s,), DHFS, and other parties external to the CMO.***

The Assistant Director - Long Term Support Services has taken a number of positive steps in an effort to improve the conditions of fiscal operations within the CMO. The CMO has contracted with a CPA firm for a limited term engagement to assist in meeting fiscal reporting requirements. Specific tasks to be performed by the CPA firm include: verification of reconciliations, finalizing financial statements for 2002, preparing financial statements for 2003 and preparing a solvency plan for 2003. Their work relative to the reconciliations and the 2002 year end financial statements is anticipated to be completed for DHFS review within the next week.

In addition, the Assistant Director - Long Term Support Services is developing a request for proposal (RFP) for financial services in 2004, the scope of which remains undefined at this writing. It is believed that should these services be defined to acquire highly technical accounting skills in a management capacity, wherein the proper accounting operations and related controls can be established, and where recommendations contained herein are implemented, there may be no need for additional CMO fiscal staff.

Recommendation #3

To assist in the acquisition of a Chief Financial Officer, the Assistant Director - Long Term Support Services should consider engaging assistance from the county controller, the county auditor, and/or financial professionals external to the CMO for assistance in preparing the RFP specifications, as well as participating in the evaluation of proposals.

During the assessment, it was noted that cross-training has not occurred and has not been planned for key fiscal responsibilities currently performed, or assigned to the CMO fiscal staff. This presents a significant operating risk to the CMO because there are no written procedures for fiscal duties that can be referenced in the event of a sudden, unforeseen absence and because the CMO currently lacks a formally structured accounting operation sufficient to support its business needs.

Non-CMO fiscal staff may possess a related skill mix and could, over time, be trained to serve as a back-up for some CMO fiscal tasks. However, some of these positions also do not have adequate back-up planned and any shifting of responsibilities could be detrimental to fiscal operations that currently support the non-CMO operations within the Department on Aging.

Recommendation #4

The CMO Chief Financial Officer should consider appropriate cross-training and back-up for 'mission critical' accounting functions of the CMO when determining staff responsibilities and making staff assignments. Given the current environment of limited staff increases due to budget constraints, the CMO CFO could explore the possibility of having 'like' fiscal functions performed in other departments (i.e., quality assurance, provider site visits, audit recoveries and collections) as part of a contingency plan if increased staffing is not possible or cost-beneficial to the CMO.

Staff Training

The CMO fiscal staff has not received training on the County's financial system – Advantage and may therefore be unaware of the functionalities and capabilities that the system may provide in support of CMO fiscal operations. This was evidenced, in part, by the delay in inquiring about the ability to establish separate balance sheet accounts for the CMO in the Advantage system until September 2003.

In the absence of appropriate fiscal training, CMO fiscal staff may lack an understanding of the County's financial processes and related financial reporting requirements. For example, CMO fiscal staff was not aware of certain County procedures as required by ordinance related to the establishment and reconciliation of bank accounts.

Recommendation #5

To identify potential opportunities for staff training and to obtain authoritative references relative to financial procedures affecting CMO operations, the CMO Chief Financial Officer should:

a. Contact the Department of Administrative Services (DAS - Central Accounting, Budget) to identify training opportunities on the County's Advantage system.

b. Coordinate with the Budget Manager (assigned to the Department on Aging under the DAS model) to identify or arrange for training on the county budget process.

c. Invite key personnel to CMO fiscal staff meetings for the purpose of communicating events that significantly affect CMO fiscal operations (i.e., Budget Manager to explain the budget process timelines; Accounting Manager to present year end close process timelines; Audit Department to explain the annual audit process timelines, etc.)

d. Obtain up-to-date copies of the County ordinances and Administrative Procedures Manual, CMO Audit Guidelines, the CMO contract, and other authoritative materials that are maintained for CMO fiscal staff to reference as needed.

e. Establish a shared directory on the County's network for CMO fiscal staff that serves as a central repository for relevant training and reference materials.

Organizational Culture

In general, organizational culture in fiscal operations is defined by 'tone at the top' and reflects the extent to which management has created an environment of accountability through development of sound fiscal objectives, identification of financial operating risks, adequate planning for contingencies, and an appropriate level of internal controls. In order to be truly effective, such 'tone at the top' must be an integral part of every facet of the financial operations.

The organizational culture, and more specifically, the 'tone at the top' established for CMO fiscal operations fails to establish adequate levels of accountability necessary to meet the minimum business needs of the CMO. This finding is based on a number of conditions noted in the fiscal operating environment during the assessment, including the following:

- An overriding lack of confidence and trust between fiscal management and fiscal staff;
- Lack of communication on 'mission critical' financial information in an accurate and timely manner to key management decision makers within the organization;
- Inability by any one individual to accept responsibility for fiscal operating decisions;
- Reluctance to adopt an inclusive approach to problem solving through team building with competent, proficient fiscal staff;
- Reluctance to seek assistance from professionals external to MCDA on issues having a potential negative fiscal operating impact on the CMO;
- Lack of established and meaningful business relationships with financial managers external to the CMO;
- Absence of formal, structured communication between fiscal management and staff;
- Inconsistent attendance by fiscal management at key CMO management meetings;
- Lack of defined responsibilities for CMO fiscal staff;
- Absence of fiscal policies and procedures specific to the MCDA CMO;

- Lack of planning and implementation to ensure ongoing compliance with fiscal requirements in the CMO contract.

- Internal control weaknesses in the areas of contract administration, expenditure authorizations and payment processing.

These conditions are believed to be pervasive enough to also impact non-CMO fiscal operations in MCDA.

Recommendation #6

To improve the overall efficiency and effectiveness of CMO fiscal operations, require that the CMO Chief Financial Officer work with all fiscal staff to establish operational accountability and a positive organizational culture by addressing the conditions noted above.

Communication

The nature, extent and timing of communication involving fiscal operations is a measure of the extent to which fiscal management is planning, directing and controlling its operations, and establishes a means of accountability for financial performance of the organization.

With regard to the CMO fiscal operations, communication requires improvement based on a number of conditions noted during the assessment, including the following:

- *The absence of regular meetings involving senior financial management and the CMO fiscal staff* to communicate issues, including contract compliance issues, to review work in progress towards target completion dates, to make staff assignments and coordinate work schedules, to address staff concerns. CMO fiscal staff has attempted to meet regularly, however, shifting workloads due to changing priorities have limited time available to meet, and as a result, such meetings have languished.

- *The absence of periodic meetings between senior financial management, CMO fiscal staff and the MCDA Accounting Manager* to review financial conditions to date, to discuss accounting issues affecting the County's financial system, to share project timelines, such as those for year end closing and the external audit, to discuss new fiscal initiatives and procedures; etc.;

- *Inconsistent attendance by senior financial management at key CMO management meetings.* Regular attendance and full participation is essential to ensure that key fiscal initiatives affecting CMO operations, as well as periodic updates on CMO financial conditions, can be communicated. Similarly, an

ongoing understanding of CMO program activities is essential to identifying operating factors that assist in understanding and interpreting current financial conditions and projecting future financial performance.

- *Reluctance to establish and maintain communication with parties external to the CMO regarding CMO financial operations.* Business relationships essential to CMO financial operations, such as those with the county controller, the county auditor, external auditors, and DHFS representatives, are not encouraged.

- *Varying degrees of management review and approval of written communication containing fiscal information to be communicated to parties external to the CMO.* For example, fiscal information to substantiate repayment requests sent to providers as the result of an audit recovery is not routinely reviewed by management. Conversely, quarterly financial reports prepared for the Department of Administrative Services – Central Accounting Division, while based on staff input, are finalized by senior financial management without further review by the Assistant Director - Long Term Support Services.

Financial information cannot be communicated on a "need to know" basis if the CMO expects to remain a viable organization. CMO managers and staff alike need to understand the impact that their activities have on the fiscal performance of the organization. This is especially important for CMO management, who has both the responsibility and the authority within the CMO to make decisions that affect the efficiency and effectiveness of resources within their control.

In addition, inclusion of key financial staff, both internal and external to the CMO, relative to meetings as well as written information, will be essential in order for the CMO to meet basic contract requirements for fiscal reporting and to establish an accounting operation that serves the business needs of the CMO.

Recommendation #7

The CMO Chief Financial Officer should work with the Assistant Director - Long Term Support Services to establish formal communication protocols that provide for timely sharing of CMO financial information in accordance with contract requirements, County fiscal reporting requirements, and CMO management information needs.

To establish greater accountability for CMO fiscal performance, and in an effort to raise fiscal awareness within the CMO, require that the CMO Chief Financial Officer present the monthly financial statements to the core CMO management team, including the Director on Aging, to explain financial activities and anticipated trends, and to address questions or concerns.

Regarding communication protocols external to the CMO, the CMO Chief Financial should:

a. ***Meet with the county controller, the county budget officer and the county auditor as soon as possible upon hire to establish business relationships with entities external to the CMO that are responsible for, or have significant influence over, establishing and maintaining fiscal policies and procedures in the County;***

b. ***Meet with representatives of DHFS to obtain an overview of CMO fiscal conditions to date and to discuss the state's role in CMO fiscal operations in the future;***

c. ***Be present at all meetings (i.e., County board committee meetings) and be involved in all decision making (i.e., DHFS workgroup meetings on capitation rates) affecting CMO financial operations.***

<u>CMO Policies and Procedures</u>

The CMO does not have any formally adopted procedures related to fiscal operations. DHFS is currently working with CMO fiscal staff to begin developing procedures for cost share billing and collection activities.

According to the Associate Director for Fiscal, in the absence of CMO fiscal procedures, reliance is placed on fiscal position descriptions, written directives in the form of e-mails to staff and CMO contract requirements. Management acknowledged the importance of fiscal operating procedures, but cited a lack of time and other competing priorities as reasons why such procedures had not yet been developed for the CMO.

Reliance on position descriptions as fiscal operating procedures for the CMO is inadequate to meet the business needs of the CMO and may explain, in part, why the CMO has experienced difficulty complying with basic financial requirements in the CMO contract. For example, based on interviews with human resource professionals, we learned that the purpose of position descriptions are to provide an outline or framework of responsibilities, to define organizational placement of the position, and in some cases, address compensation levels. In addition, many of the fiscal position descriptions were outdated. According to the County's Department of Administrative Services – Central Human Resources Division, all position descriptions are undergoing a review and update at this time.

Position descriptions cannot be used in place of fiscal operating procedures because they do not address processes and related internal controls necessary to perform specific tasks designed to accomplish specific fiscal objectives. Specifically, position descriptions do not define what is required to be done and fails to address key controls such as

segregation of duties, required documentation and records, authorization levels, and timelines – all of which are designed to establish fiscal accountability.

Likewise, contract requirements and similar documentation, such as audit guidelines and e-mails, may define a specific deliverable (i.e. a financial statement) or a particular control (i.e., subsidiary accounts agree to the control account), but they do not provide the CMO with instruction on how to accomplish fiscal objectives through effective and efficient use of available resources.

Recommendation #8

Require the CMO Chief Financial Officer to work with CMO fiscal staff to:

- ***a.*** ***Within 45 days, to develop a workplan (with completion milestones) for a CMO fiscal procedures manual that, at a minimum, addresses 'mission critical' tasks (i.e., contract requirements);***
- ***b.*** ***Engage CMO as well as non-CMO fiscal staff to assist in drafting procedures using the CMO procedures manual template;***
- ***c.*** ***Pursue all available fiscal recordkeeping and reporting options using the County's general ledger financial system through discussions with the County controller's office and the County budget director's office.***
- ***d.*** ***Incorporate County and State fiscal reporting requirements as a priority in the procedure development process.***

In concurrence with the workplan development, the Chief Financial Officer, or designee, should contact other CMOs to obtain fiscal procedures, preferably in electronic format, that may be easily modified for use by the MCDA CMO.

To ensure the appropriate alignment of responsibilities and skills, to accurately reflect work duties in the CMO fiscal operations, and to establish a basis for CMO fiscal staff performance evaluations, require that the CMO Chief Financial Officer review the position descriptions of all CMO fiscal staff and work with the appropriate Human Resources professionals to modify the descriptions accordingly.

Within the County's automated financial system (i.e., Advantage), CMO revenues and expenditure accounts are classified within a 'low organization code' – code 7980 – for the Care Management Organization as part of the General Fund. This classification allows for monthly revenue and expenditure statements, reflecting information such as budget to actuals, year-to-date totals, and balances remaining (in dollars and as a percent of total), to be generated for the purpose of identifying financial position, performing reconciliations and for management decision making.

However, CMO transactions affecting balance sheet accounts, such as cash, receivables and payables, are not segregated, thus requiring the CMO to maintain separate, internal accounting records for balance sheet accounts, such as cash, receivables and payables, in order to meet financial reporting requirements in the CMO contract. This was to be accomplished by the CMO through maintenance of a separate internal accounting system using Peachtree software.

According to the County controller, the Advantage system has the capability to enable the CMO to be established as a separate fund which would enable segregation of balance sheet and income statement accounts for the purpose of financial statement preparation. In addition, controls would be increased and thus improve the reliability and integrity of transaction data.

Keeping the CMO in the general fund as a 'division' within the Department on Aging for accounting purposes does not provide an accounting system that is adequate to meet the business needs of the CMO as required by contract.

Recommendation #9

To establish an accounting system that is adequate to meet the business needs of the CMO, and to eliminate the need to maintain a separate internal accounting system, the CMO Chief Financial Officer should work with the Department of Administrative Services – Central Accounting Division to establish the CMO as an enterprise fund in the County's financial system and, in doing so, ensure that appropriate authorization levels are established in the Advantage system for CMO accounts.

The absence of fiscal operating procedures to review, approve and record CMO transactions in the County's financials diminish controls sufficient to ensure data integrity. For example, fiscal staff who are not assigned to the CMO are responsible for processing CMO transactions in the County's financial system. In some instances, CMO staff may review and approve invoices, however, the decision as to which expenditure account should be charged may be made by non-CMO fiscal staff. More importantly, because CMO fiscal staff do not routinely reconcile the Peachtree system with the Advantage system, there is no assurance that CMO costs are being appropriately classified and are accurately reported.

Recommendation #10

The CMO Chief Financial Officer should require that all transactions related to CMO operations be reviewed and approved by CMO management and processed through Advantage by CMO fiscal staff.

Reports

The CMO has been unable to consistently comply with contract requirements relative to financial management and related fiscal reporting. A review of fiscal reports, and related conditions noted as part of the assessment, as verified by CMO fiscal staff, County fiscal staff and representatives of DHFS, are summarized below.

- Balance Sheet (monthly) – The CMO relied on its own internal accounting system, Peachtree, to produce monthly balance sheets, and did not reconcile this information to the County's financial system. The CMO did not actively pursue segregation of separate balance sheet accounts in the County's financial system with the County's Central Accounting Department and, as a result, concluded that there was 'nothing to balance to.'

- Income Statement (monthly) – This statement is required to reflect CMO revenues, expenses and net income for the month and year being reported compared to budget. This statement would have limited usefulness on a monthly basis because it was not routinely reconciled with the County's financial system, with variances noted and explained. Other issues relative to CMO reports generated from the County's financial system would have presented further challenges to staff responsible for preparing this statement. For example, budget appropriation transfers to properly align revenues and expenses are not timely, therefore, there was no assurance that revenues as reflected for the CMO were accurately reported or could reasonably be reconciled. As another example, accounting transactions to allocate certain costs to the CMO were applied to budgeted amounts that were not similarly allocated, thus overstating available remaining funds to be expended.

- Other Required Financial Statements (monthly) – Statements of Cash Flow, Enrollment Projections, Working Capital, Risk Reserve and Solvency Calculations were not regularly prepared.

  As a result, the CMO has been unable to produce reliable financial statements from year-end 2002 through 2003. This finding is evidenced by the following conditions noted during the assessment:

  - *Ineffective use of resources to prepare financial statements.* Templates for all of the above mentioned financial statements and schedules, in Excel format, were provided by DHFS to the CMO, with pre-programmed calculations, written instructions on how to complete each schedule, and brief guidelines on issues to consider based on noted trends in CMO financial data. The CMO chose to create their own financial statements and did not complete other required financial schedules as required.

- *Inconsistent presentation format of fiscal schedules.* Fiscal schedules and financial statement formats did not include appropriate headers and other formatting that is generally accepted accounting practice and is designed to provide proper identification of the schedule and the period for which the financial information is being reported. In addition, reports and schedules lacked information necessary to establish accountability, such as preparer's identify, date the statements were prepared, evidence of management review and approval and date submitted to DHFS.

- *Absence of notes to the financial statements.* Fiscal schedules and related financial statements did not include notes that were appropriately cross referenced to adequately explain amounts as reported, definitions of terms, nature of adjustments, and to provide the reader with some overall evidence that the statements were, in fact, analyzed. As a result, such statements required extensive verbal qualifications and explanations.

- *Inconsistent versions of financial statements for the same reporting period.* Continual re-work of routine fiscal schedules and related financial statements raises questions of financial systems integrity requiring immediate financial management attention.

The reliability of the CMO financial reporting is questionable even prior to year end 2002 since the department used risk reserves to cover a department wide deficit in 2002, with DHFS approval. Since that time, the CMO has not produced a documented solvency plan and, based on discussions with CMO fiscal staff, is relying on a number of other fiscal conditions in MCDA to occur or not occur between now and 12/31/03 as a means of restoring the reserve.

While MCDA may be fortunate enough to have all events occur as planned that result in a year-end fiscal 'windfall' sufficient to restore the reserve account and to re-establish solvency, it is believed that this approach to CMO fiscal management is not compliant with contract requirements to submit a corrective action plan, with a timetable, for which the CMO can be held accountable.

More importantly, this approach creates significant operating risk because, until such events occur and until reserves, solvency and working capital are at contractually required levels, the CMO is unable to effectively manage the volatility of the Family Care program and continuity of member care may be at risk.

Recommendation #11

To comply with CMO contract requirements relative to financial reporting, and to begin providing management with reliable, accurate and timely fiscal information with which to better manage CMO operating risk, require that:

a. The Chief Financial Officer establish a regular reporting cycle to ensure CMO contract compliance;

b. The reporting cycle be documented to specifically identify required lead times, responsible individual(s), necessary documentation and supporting schedule(s) required; and reflect sufficient internal time necessary for analysis and management review;

c. The financial reporting package be standardized in form and content, and consider using the DHFS templates as a means of achieving immediate or near-immediate financial reporting efficiencies;

d. Each financial report contain a brief narrative that extends beyond a restatement of positive and negative variances to reflect meaningful trend analysis, including identification of specific past and present conditions impacting financial performance, as well as anticipated future conditions and related potential effects on CMO financial performance and operating risk.

e. Staff be held accountable for assigned responsibilities designated in the reporting cycle, at a minimum, through the annual performance evaluation process.

The CMO contract contains requirements relative to submission of audit reports. According to the Associate Director of Fiscal, the annual audit is considered to be outside the control of the department and therefore, the requirement to submit annual audit reports, with the management letter, to DHFS and to the Office of Program Review and Audit (OPRA), are assumed to be the responsibility of the external auditing firm.

The Milwaukee County Department of Audit is responsible for overseeing the annual audit of financial statements for Milwaukee County and has coordinated with other entities to accommodate specific federal and state audit requirements relative to department specific program financial operations. According to the Director of Audits, the issue of CMO compliance with state audit requirements relative to Family Care has never been communicated with the Department of Audit. In addition, a copy of the HCS contract between DHFS and the CMO, highlighting the financial reporting and related audit reporting requirements, has never been provided to the Department of Audit.

The contract clearly designates the CMO as the responsible party for compliance with audit report submission requirements, as well as all other financial related provisions. Further, the CMO has a fiduciary responsibility to provide sound fiscal management and to comply with contract provisions. The contract does not provide for the CMO to delegate its responsibility to meet financial management responsibilities, and thus absolve itself of meeting such responsibilities, even if it were to contract for such services.

Recommendation #12

The CMO should communicate audit requirements in the CMO contract to the Milwaukee County Department of Audit by having the CMO Chief Financial Officer:

a. Provide a copy of the current HCS contract, including any amendments, to the Director of Audits; and,
b. Conduct a follow-up meeting as soon as possible with the Director of Audits to discuss current requirements, to address the year end audit process, and to distinguish CMO responsibilities from that of the Department on Audit and the external auditors, including any subcontractors, relative to the external audit.

The CMO is required to prepare and submit monthly enrollment reports to the state. In addition to complying with contract requirements, the enrollments reports provide key information to management in order to effectively manage and predict the volatility of member activity, including costs associated with providing services based on current and projected enrollments.

There are no procedures established for the preparation of the monthly enrollment reports and because the enrollment data is not reconciled to a designated system, the integrity of the enrollment report data remains questionable.

For example, a section of the monthly report lists a breakdown of total enrollments into four level-of care (LOC) categories: comprehensive MA, comprehensive non-MA, intermediate and grandfathered. The enrollment total for comprehensive non-MA is derived from an EDS report and is not reconciled with similar LOC enrollments in the CMO application, even though staff acknowledged that the CMO application reflects a higher enrollment total for this category. Enrollment totals for intermediate LOC is recorded from the EDS report as well. According to CMO staff, there are no CMO members who are 'grandfathered' and this enrollment category remains at '0'. These three LOC enrollment totals are summed and then subtracted from the total enrollments as determined by the CMO application to arrive at an enrollment total for the comprehensive MA LOC category.

This method of calculating the comprehensive MA LOC enrollment category total is problematic because it is not reconciled to any enrollment data source, in summary or by level of care total, with member lists to verify the accuracy of enrollment totals. This condition is of concern since a number of standard reports, as well as verification reports, were identified as readily available that could assist with this reconciliation.

For example, some of the verification reports available included "In MCDA database as enrolled – Not in EDS at all" and "MCDA level of care different from EDS level of care". Discussions with CMO information technology consultants indicated that there

were no known shortcomings with these reports relative to data integrity that would render them unreliable for reconciliation purposes.

If properly prepared and reconciled on a regular basis, the enrollment reports could assist the CMO in more timely and accurate revenue projections, as well as provide key indicators affecting capitation rates, and other fiscal components affecting overall CMO operations. However, given the manner in which enrollment reports are currently prepared and the known limitations regarding data integrity, CMO fiscal staff cannot rely on such reports and must make further assumptions and adjustments in order to prepare revenue estimates.

We noted that, in addition to the summary section, which reported Total Enrolled by level of care category, the report also listed enrollment summary information by year-to-date member months. Also, the report listed newly enrolled, newly disenrolled and a net increase or decrease by level of care category. The report did not reflect enrollment totals where appropriate and lacked related documentation necessary to establish accountability, such as the preparer's identify, the date the report was prepared, evidence of management review and approval, and the date the report was submitted to DHFS.

Recommendation #13

To ensure that monthly enrollment report data is accurate and can be relied upon for other purposes throughout the CMO, such as projections and trend analysis, the CMO Chief Financial Officer should:

a. Gain an overview of the CMO application including the manner in which enrollment data is entered, maintained and reported;
b. Establish procedures to reconcile enrollment data from sources external to the CMO with the CMO application on a monthly basis;
c. Designate CMO fiscal staff to be responsible for such reconciliations, including preparation of monthly reports, projections and trend analysis, and require that all such reconciliations be appropriately documented;
d. When enrollment data is accurately reconciled, to require that the monthly enrollment reports be the internal source document from which fiscal projections should be based.

Monitoring of capitation receivables is critical to the fiscal solvency of the CMO and ensures, in part, that the CMO is paid for members served. In addition, analysis of capitation receivables with other fiscal indicators can notify the CMO of conditions and trends which, if left unattended, could have a potentially negative fiscal impact on the CMO (i.e., not receiving payment for all members served).

The CMO has been unable to produce meaningful capitation receivable reports that could provide such critical advance notice and allow for corrective action. In addition, write-off estimates, including the basis for such estimates, have not been clearly documented.

Similar conditions were noted with incurred but not reported (IBNR) amounts as stated on unaudited financial statements prepared by the CMO. Of additional concern is the nature of accounting adjustments made to receivables and payables accounts at year-end. While accrual entries are required to appropriately state such amounts for year-end reporting purposes, the CMO made further adjustments, some referred to as 'post-closing' or 'post-audit' adjustments that were not recorded in the County's financial system and some of which were not reflected on the CMO's internal accounting system. It is unclear whether such adjustments were reflected on year-end financial reports prepared for parties external to the CMO.

Recommendation #14

To effectively monitor the fiscal solvency of the CMO, the CMO Chief Financial Officer should develop procedures to properly record and analyze capitation receivables and IBNR that includes write-off estimates that are documented and based upon reasonable operating assumptions. Such information should be included in the monthly financial reporting package and presented to CMO management and DHFS.

To ensure that the financial reporting of receivables, IBNR and all other CMO accounts is in accordance with government accounting standards and generally accepted accounting principles, require that all journal entries affecting CMO accounts, including those required for year-end closing, be prepared under the direction of and require the review and approval of the CMO Chief Financial Officer prior to entry into the Advantage system.

To preserve the integrity of the CMO financial information reported in Advantage, as well as what is reported in the CMO's internal accounting system, (should it be necessary to maintain until such time that the CMO can be established as an enterprise fund in the Advantage system), the practice of making entries to CMO internal accounting records without also recording them in the County's financial system, Advantage, should be discontinued.

Recording transactions in the proper period reflects required accounting practice and is essential to the reliability and accuracy of financial information. The CMO has not established general ledger accounts that would assist in segregating revenue and expenditure transactions that affect both prior and future operating activities.

__Recommendation #15__

To improve the reliability and accuracy of CMO financial information, the CMO Chief Financial Officer should establish specific general ledger accounts to record revenue and expenditure transactions affecting prior or future periods. These accounts should be included in the month-end reconciliation and financial reporting process and should be maintained in accordance with generally accepted accounting principles.

__Roles and Responsibilities of Outside Agencies and Other Departmental Divisions__

The CMO is dependent upon the Resource Center and the Economic Support Unit to process eligibility and enrollment of Family Care members in a timely and accurate manner. The timeliness and accuracy of member eligibility and enrollment drives whether the CMO is paid the capitation rate for any given member, and has a direct impact on the CMO's ability to remain solvent.

The CMO is currently working with DHFS representatives, Resource Center staff and Economic Support Unit staff to develop an updated Access Plan for state approval that is designed to improve process workflows and communication protocols that improve the accuracy and timeliness of eligibility and enrollment decisions. The Assistant Director - Long Term Support Services has dedicated management resources to key processes, such as the recertification process, to ensure the continuity of member enrollment and service delivery.

The revised Access Plan is scheduled to be completed in November 2003 and, until such plan is finalized and all parties have been provided with an opportunity to implement plan provisions, it would be premature to suggest that additional steps are required at this time, such as a Memorandum of Agreement or additional written procedures. However, communication with all parties involved will need to continue even after DHFS has approved the revised plan, or if DHFS involvement in plan coordination is scaled back in the future.

__Recommendation #16__

The CMO Chief Financial Officer should review the revised Access Plan to gain an understanding of processes and protocols established relative to Family Care member eligibility and enrollment. If meetings continue between the Resource Center, ESS Unit and the CMO continue as a means of monitoring access plan implementation, the CMO Chief Financial Officer should be invited to participate in such meetings or, at a minimum, should be included in the distribution of all materials prepared for and as a result of such meetings.

The CMO currently has a contract administration unit that is responsible for compliance with all provider network related requirements in the CMO contract. Specific responsibilities of this unit include development and maintenance of the provider network, including addressing capacity and access to meet current and anticipated member service needs, rate setting, and contract monitoring. At times, this unit also coordinates between the third party administrator and the provider regarding provider billing issues.

Similar to the CMO fiscal operations, the contract administration unit has no formal operating procedures and has been challenged to comply with CMO contract requirements, in part, due to the unforeseen loss of the contract administrator earlier in the year. The Assistant Director - Long Term Support Services has taken over the direct administration of this unit, and meets with the contract staff on a regular basis to monitor activity, direct work assignments and to prioritize tasks. The Assistant Director - Long Term Support Services has acknowledged, however, that contract administration responsibilities require a full-time resource to ensure that CMO contract requirements are being met through effective management of day-to-day activities.

The contract administration staff have been working with an independent contractor to develop and implement contracting procedures designed to achieve CMO strategic planning objectives for 2003-2004, as well as establish more formalized and structured environment for contracting activities. Procedures to create a provider network application and the reorganization of provider contract files have been implemented, however there is much work remaining to be accomplished.

For example, monitoring the providers is a key requirement of the CMO contract and quality assurance activities, such as site visits and provider audits, is an effective means of validating provider billings, authenticating the provider organization based on application materials, and for identifying areas needing corrective action. The contract administration staff conduct provider site visits, and coordinate with the Fiscal Analyst responsible for quality assurance, however, such activities occur on an 'as needed' basis and are not driven by a more structured, risk-based approach to provider network monitoring.

Given the current fiscal climate in Milwaukee County, and the need for operating structure in the contract administration area, it may be advantageous for the CMO to consider options that are both cost effective and accelerate the CMO's ability to address provider network related contract requirements.

The Milwaukee County Department of Health and Human Services (DHHS) currently operates a contract administration unit that involves many functions that the CMO is in need of. For example, DHHS contract administration possesses an extensive knowledge of federal, state and local contracting requirements. While DHHS may not be familiar with the intricacies of the Family Care program, we conclude that such information is

easily obtainable through DHFS websites, and coordinated meetings with DHFS and CMO contract staff, all of whom are knowledgeable about their assigned areas of service delivery.

In addition, formally structured and well documented quality assurance/quality improvement procedures have been developed by Wraparound Milwaukee, which could be modified for the purposes of the Family Care program. DHHS staff responsible for conducting provider audits may be very helpful in assisting CMO contract staff by coordinating resources, particularly where providers in the CMO network are also in other provider networks subject to QA/QI reviews by DHHS, or Wraparound Milwaukee.

The potential 'merging' of the contract administration function between DHHS and the CMO may have some positive impact on the CMO fiscal operations as well. For example, the CMO Fiscal Analyst's time that would otherwise be devoted to establishing a quality assurance program from the start might be significantly decreased if such responsibilities were limited to modifying existing procedures from another organization. Under a well defined Memorandum of Agreement for services, it may be more cost effective for the CMO to reimburse DHHS for specific contract administration functions, such as general oversight, quality assurance, annual contracting, provider network development, and provider audit reviews, rather than invest in the recruitment of a new contract administrator who will be responsible for creating processes and procedures where nothing existed before.

Also, the CMO has invested significant dollars in the development of a CMO database application that is designed, in part, to support the information needs of the contract administration unit. The CMO may maximize a return on its investment with regard to the Provider Network module if system capabilities are fully utilized to support the contract administration unit's business needs as identified through a potential merger with DHHS.

Recommendation #17

To accelerate the CMO's ability to meet provider network related contract requirements, and as a potential cost containment measure, explore the possibility of merging the CMO contract administration function with that of DHHS through discussions with the Director of the Milwaukee County Department of Health and Human Services.

Budgeting

Responsibilities for CMO budget preparation are unclear. Based on interviews conducted as part of the assessment, three persons were identified as having primary involvement with development of the CMO budget: the Budget Manager (DAS), the Accounting