



# House Appropriations Subcommittee on Contracting

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August 12, 2004

# Overview

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- Enterprise Contracting Guidelines
- Contract Administration
- Medicaid/CHIP Contracting



# HHS Enterprise Contracting

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Steve Aragón

HHSC Chief Counsel

# Enterprise Contracting Guidelines

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- Administrative rules
- Uniform Terms and Conditions
- Vendor Remedies Matrix
- Tailored Remedies Matrix



# Contract Administration

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Robert Hall

Services Development Director

## Who has a role in HHSC's Contract Processes?

- Administrative Services Development
- Programs/Divisions
- Procurement Team
- Evaluation Committee
- Legal Affairs
- Financial Services

# Contract Administration

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## **Contracting Process and Procedures Workgroup – October 2003**

- Established a Contracting Cycle
- Identified the Roles and Responsibilities of HHSC Staff
- Established “Best-Practices”
- Created a Standard RFP Template
- Created a Standard RFP Evaluation Methodology
- Provided a framework for consistency using statutory references and forms

# Contract Administration

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## **Contract Process Improvements:**

- Contracting Processes and Procedures – Approved April 2004
- Multiple training sessions for HHSC staff – June 2004
- Contracting Processes and Procedures – Effective July 2004
- Implement Web-based Contract Administration and Tracking System (HCATS) – Fall 2004.
- Centralized Contract Administration Function
- Program/Division is Responsible for Contract Management



# Contract Administration vs. Management

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**Contract Administration** – major *support* function in contracting process to assure that the government procures what it needs and receives what it pays for

**Contract Management** – core function in the contracting processing, involving contract oversight and day-to-day management of the contract

# Contract Administration vs. Management

<b>Administration</b>	<b>Management</b>
<b>Manage overall contracting processes and procedures</b>	<b>Manage contractor relationships</b>
<b>Training and assistance to staff</b>	<b>Training and assistance to the contractor</b>
<b>Data management, analysis, reporting and forecasting</b>	<b>Management of contract</b>
<b>Divisional oversight</b>	<b>Contract oversight</b>
<b>Central repository of contract information</b>	<b>Day-to-day management of contract and accurately documenting information</b>

# Contract Classifications

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- **Administrative Contracts** – contracts for the purchase, lease or exchange of goods or services for the direct benefit of HHSC to meet a specific need in the performance of HHSC’s administrative functions, which include:
  - Automated Information Systems or Services
  - Consulting Services
  - Interagency Agreements/Memoranda of Understanding
  - Personal Services (for HHSC’s benefit)
  - Professional Services
  - Other Goods and Services

# Contract Classifications

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- **Client Service Contracts** – contracts for the purchase, lease or exchange of goods or services for the direct benefit of HHSC’s program clients, which include:
  - Managed Care Services
  - Professional Services (for client benefit)

# Contract Routing Form

CPP04-19 (07/06)

## Contract Routing Form

Re'd in Administrative Services Development (ASD) \_\_\_\_\_

*Review Responsibility: Each reviewer will use a "+" to indicate that the transaction has been reviewed. The reviewer documents any questions, concerns or issues in the Comment section and continues the routing. If any corrections are necessary, the contract amendment will be returned to the Project or Contract Manager to take the necessary actions. Signature below certifies that the transaction has been reviewed, that reviewer is in agreement with the transaction, that the transaction is in compliance with HHS policies and procedures, and that no further action is requested by the reviewer.*

HHSC Contract No.:
Contract Name:
Contract Type:
Contract Amount:
Contract Expiration Date:
Administering Division:
Program:
Project or Contract Manager:

Ⓢ Brief description of service provided: \_\_\_\_\_

Reviewer	Approval/SIGNATURE	Comments	Date
<input type="checkbox"/> Assigned Division Staff		<input type="checkbox"/> HIPAA	
<input type="checkbox"/> Legal Affairs			
<input type="checkbox"/> Division Director (or Designee)			
<input type="checkbox"/> Financial Services - Budget			
<input type="checkbox"/> Deputy Executive Commissioner for Analysis Services (for contracts of \$1M and above)			
<input type="checkbox"/> Associate Commissioner (for the administering division)			
<input type="checkbox"/> Associate Commissioner for Administrative Operations (for contracts of \$1M and above)			
<input type="checkbox"/> Deputy Executive Commissioner: _____			
<input type="checkbox"/> Executive Clerk			
<input type="checkbox"/> Financial Services - Accounting			

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# Medicaid/CHIP Contracting

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**Billy Millwee**

**Deputy Medicaid/CHIP Director  
for Health Services**

HHSC's Medicaid/CHIP Division, with the assistance of Deloitte Consulting, has recently completed a division-wide transformation effort designed to:

- **Reorganize** the Division to promote improved management
- Increase **efficiency** of staff and program contractors
- Improve **accountability** of the program and its staff
- Improve **financial management** of the program
- Reduce **risk** of future cost overruns and other problems

# Contract Process Improvements

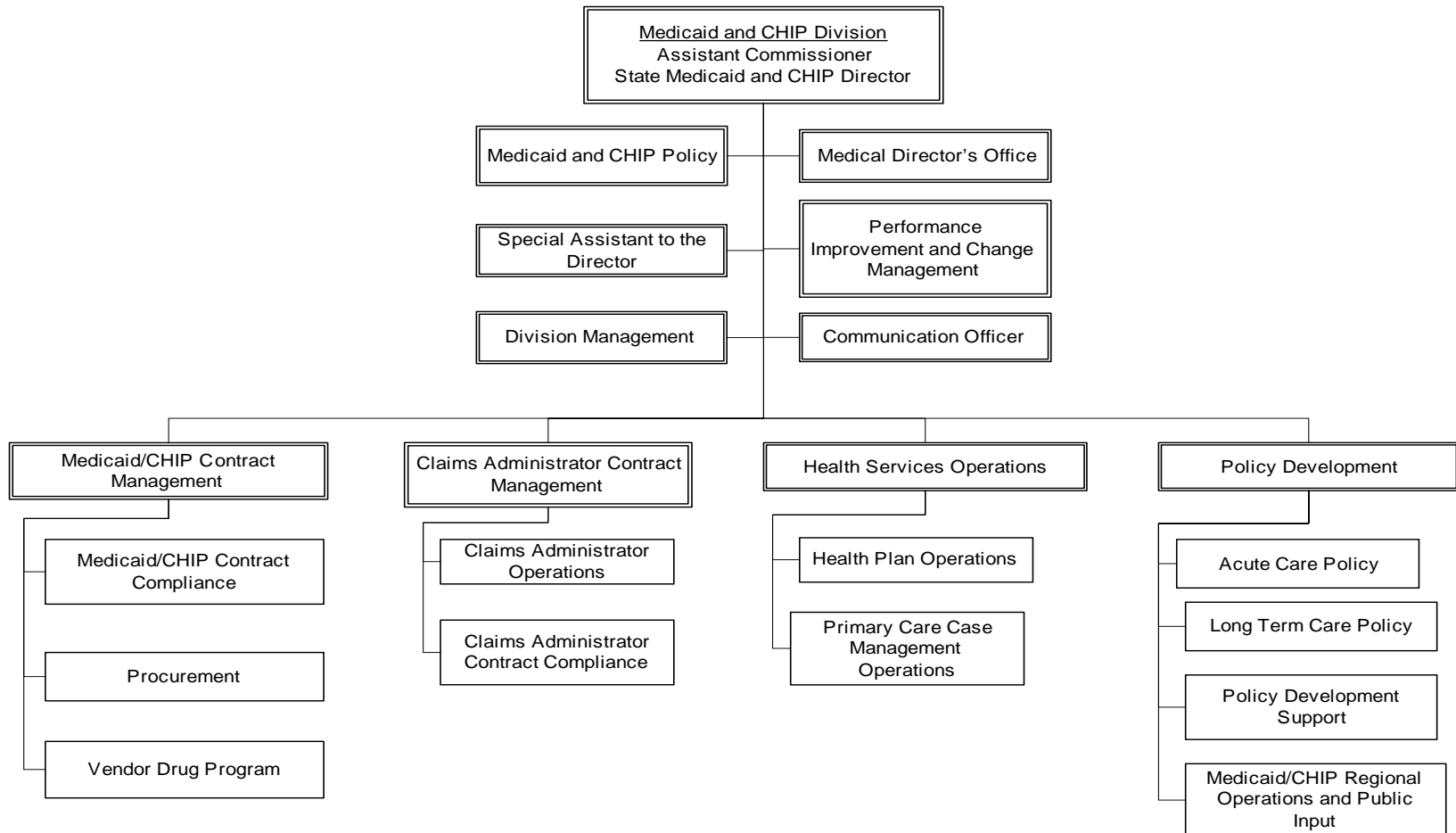
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- Re-organized Division
- Re-engineered Business Processes in Medicaid/CHIP Division
- Centralized Contract Management
  - **Claims Administrator Contract**
    - Placed under a single senior manager with dedicated staff reporting directly to State Medicaid/CHIP Director
  - **All Other Medicaid/CHIP Contracts**
    - Placed under a single senior manager with dedicated staff reporting directly to State Medicaid/CHIP Director



# Medicaid/CHIP Division Organizational Chart

## New Medicaid/CHIP Division Organization (effective June 7)



# Organizational Improvements

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- **Medicaid/CHIP Contract Management:**
  - Handles contract administration and compliance of all contracts except for the Medicaid Claims Administrator contract.
  - Manages and enforces contract terms and conditions
  - Processes amendments and change orders
  - Tracks deliverables
  - Reviews invoices, manages payments, and reviews financial arrangements with subcontractors
- **Medicaid Claims Administrator Contract Management (non-HMO):**
  - Manages the contract with Affiliated Computer Systems (ACS)
- **Health Services Operations:**
  - HMO plan management
  - Works with the contractor to resolve service delivery issues
  - Directs daily operations and quality control for HMO contracts
  - Reviews HMO deliverables for quality purposes

# Contract Process Improvements

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- Strengthened RFP
- Strengthened the evaluation tools
- Implemented specific performance requirements for each division contract:
  - Dedicated monitoring of performance variables
  - Established more effective and clearly defined contract provisions, such as performance matrices, liquidated damages, and corrective actions
  - Improved financial reporting requirements

# Contract Process Improvements

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- **Implemented Management Controls**
  - Functional area responsible for contract negotiations does not have final approval of the contract or any amendments
- **Planned for Independent Validation**
  - External Independent Financial Audits
  - External Independent Performance Audits
  - External Independent Electronic Data Processing Audits

# Contract Process Improvements

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## Trained Division Staff on Core Business Values:

- Ethical practices
- Statutory compliance
- Risk assessment and risk management
- Efficient use of resources
- Fiduciary and performance accountability
- Effective change management

# Contract Process Improvements

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- Cost/Benefit Analysis
  - Determine the financial cost and potential benefit to the state
  - Applies to the original contract and any later amendments
- Deliberate application and assessment of “Ten Universal Business Risks” to each contracting decision (Source: *Control Self Assessment: A Practical Guide*, 2000)
  - Erroneous records and/or information<sup>3</sup>
  - Unacceptable accounting principles
  - Business interruption
  - Government criticism or legal action
  - High costs or unrealized or lost revenue
  - Loss or destruction of assets
  - Competitive disadvantage and/or public dissatisfaction
  - Fraud or conflict of interest
  - Inappropriate management policy or decision making process
  - Dynamic interactions

# Contract Process Improvements

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- Decision Making Audit Trail
  - Specific documentation requirements for contracting decisions
    - Initial procurement
    - Amendments/Change Orders
    - Pricing changes
    - Contract award
  - Produce an audit trail to determine the “who”, “what”, and “why” behind each contracting or policy decision.