



Senate Finance Committee
Subcommittee on State Contracting Practices

Health and Human Services Commission
October 11, 2004

Overview

- **Effective, efficient procurement and contacting practices are vital to the Health and Human Services System.**
 - **In FY 2004 HHS agencies procured more than \$14 billion in goods and services**
 - **These procurements serve many critical purposes including:**
 - Provision of acute care Medicaid services for more than 2,500,000 persons.
 - Providing services for 860,000 persons per month in the Women, Infants and Children (WIC) program.
 - Directly providing residential and health care services for more than 7,000 persons each day in state schools and state hospitals.
 - Obtaining nursing faculty services for more than 65,000 persons per month.
 - Supporting the operation of five large agencies, with more than 45,000 employees.

Consolidation Of Administrative Purchasing

- **H.B. 2292 recognized the importance of strong, efficient purchasing and contracting practices at HHS agencies.**
 - HHSC was charged with creating a consolidated purchasing division for the HHS system.
- **In October 2003, this challenge was met.**
 - The Enterprise Contract and Procurement Division (ECPD) began operations.
- **The consolidated division directs and manages all administrative procurements (purchasing and contracting) for the HHS enterprise.**

Consolidation Of Administrative Purchasing

- **Administrative procurement acquires goods and services to support the operations of HHS agencies.**
- **In consolidating purchasing and contracting functions, a key decision was that contracting for client services should remain with each agency.**
 - Contracting for client services accounted for approximately 95% of the dollars expended by HHS agencies in FY 04 to acquire goods and services.
 - Specialized knowledge of services and programs is needed for client services contracting.

Comprehensive Efforts to Improve Contracting

- **HHSC has initiated comprehensive efforts to strengthen contracting practices.**
 - All contracts will contain clear performance standards and enforcement provisions.
 - Agencies will establish clear staff accountability for contract management, monitoring and enforcement.
 - Agencies must ensure that contracting staff and contract managers have strong qualifications.
 - Each agency is establishing a centralized executive level contracts unit.
 - These units will provide centralized support for and oversight of each agency's contracting activities.

Comprehensive Efforts to Improve Contracting

- **An executive level interagency Contracts Council is being established for the HHS enterprise to ensure:**
 - Consistent approaches to contracting across the HHS enterprise.
 - Coordinated resolution of issues and implementation of changes.
 - Continuous improvement and use of best practices.
- **All HHS agencies are expected to pursue contracting improvements as they optimize their operations.**

Strengthening Medicaid and CHIP Contracting

HHSC Medicaid/CHIP Division

- **Manages some of the state's largest, most complex contracts.**
 - Claims and PCCM Administration
 - Medicaid and CHIP HMO Contracts
 - Vendor Drug Contracts
 - Enrollment Broker Contracts
- **HHSC is completing a transformation of Medicaid/CHIP contracting.**

Strengthening Medicaid and CHIP Contracting

• Past Weaknesses

- Unclear accountability for contract management.
 - Contract management and accountability was widely dispersed.
- Similar business processes were not standardized.
- Inconsistent monitoring of contractor performance.
- Lack of strongly qualified contract managers and financial analysts.

Medicaid and CHIP Contracting Information

- **The results of this transformation effort have included:**
 - Clearly defining contract management and contract administration and splitting these duties.
 - Centralizing contract management within Medicaid/CHIP.
 - Reengineering business processes to standardize and improve internal controls, addressing:
 - Amendment of contracts,
 - Contract payments, and
 - Performance monitoring and management.
 - Hiring additional senior-level staff to manage the claims administrator contract.
 - Implementing new performance measures for staff and contractors.
 - Procuring independent, external financial, performance, and IT audit services.
 - Training division staff on new processes and business values.

Medicaid and CHIP Contracting Information

- **Medicaid/CHIP is pursuing further improvements to its management of contracts, including:**
 - Hiring additional certified contract managers.
 - Hiring additional contract financial analysts.
 - Improving the coordination of contractor deliverable tracking and analysis.
 - Implementing new value-based performance contracts in managed care.

HHS Contracting Framework

