

Health Care Cost Containment Contract

2010 House Sub for SB 572 contained language directing the Kansas Health Policy Authority to:

"..enter into a three-year contract for a pilot project for health care cost containment and recovery services to be implemented regarding programs of state agencies or programs responsible for the payment of medical or pharmacy claims, including the department of social and rehabilitation services, department on aging, Kansas health policy authority, juvenile justice authority, department of labor, department of health and environment and the state health care benefits program, as provided in K.S.A. 75-6501 through 75-6523, and amendments thereto: Provided, That the pilot project shall be designed to provide statewide efficiencies and cost savings across multiple state agencies and the state health care benefits program: Provided further, That the pilot project shall include services to extract savings and recover funds for health care services paid by any state agency to include, but not be limited to, the recovery of overpayments identified through claims review and provider audits; and coordination of payment between private insurers, Medicare, and other public and private payers of health care claims: And provided further, That the pilot project shall include these services and additional services as approved by the Kansas health policy authority and the affected state agency: And provided further, That the pilot project shall be supplemental to audit and recovery projects already conducted by individual state agencies and shall determine ways to improve efficiencies by coordinating audits and recovery program activities across multiple state agencies: And provided further, That the contract for the pilot project shall provide for the vendor to be compensated by a percentage of recoveries or savings attained: And provided further, That, upon completion of the pilot project, the executive director of the Kansas health policy authority shall report to the legislature the savings generated from the pilot program and make recommendations regarding extension of the pilot program, termination of the program, or competitive procurement for the services provided thereunder: And provided further, That such contract shall be entered into on or before October 1, 2010, through a request for proposal process: And provided however, That nothing in the contract for such pilot project shall make null and void any other contract that a selected vendor under such request for proposal may currently be entered into with the state of Kansas: And provided further, That such pilot project shall be implemented in such a manner as to coordinate with federal requirements to establish a medicaid recovery audit contract pursuant to the federal patient protection and affordable care act, H.R. 3590."

The 2010 Legislature captured estimated savings of \$27.0 million, all from the State General Fund, in FY 2011 associated with the recovery contract. These savings were reflected in State General Fund appropriation reductions for the Kansas Health Policy Authority, the Department of Social and Rehabilitation Services, the Department on Aging, and the Juvenile Justice Authority. The total savings included estimated savings of \$9,675,000 in the State Employee Health Plan (located at the Kansas Health Policy Authority). These estimated savings were transferred from the State Employee Health Plan to the State General Fund in July 2010.

The Kansas Health Policy Authority indicates that the request for proposal was developed with input from all affected agencies. The request for proposal was processed by the Department of Administration, Division of Purchases, and closed October 29, 2010. The request for proposal required that bidders guarantee at least 90.0 percent of projected recoveries to ensure legitimate bids and enhance competition.

The Kansas Health Policy Authority awarded the contract to Health Data Insights, Inc. (HDI) on December 6, 2010. The contract with HDI guaranteed minimum collection of \$16.08 million over a three year period. The contractor can utilize a four year look back period for recovery purposes. The contract provides the contractor with a 17 percent contingency fee for recovery of overpayments. In addition, the federal government is entitled to recoveries proportionate to the federal match rate. Of the estimated \$16.08 million, the state would retain recoveries of \$6.5 million. This includes estimated recoveries of \$4.5 million for the Medicaid and CHIP programs and \$2.0 million for the State Employee Health Plan.