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# Managed Care: Financial Oversight

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## Financial Reporting and Audit Coordination

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**Financial Reporting and Audit Coordination  
Medicaid & CHIP Services Department**



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## Financial Reporting Roles

- Design MCO financial statements templates
- Develop accounting principles that are specific to Texas Medicaid & CHIP Program
- Develop contract language dealing with financial oversight
- Reconcile and validate MCO self-reported financial data
- Manage audits of MCOs through external contracted auditors
- Administer the experience rebate process
- Provide subject matter expertise in support of: RFPs; CMS reporting; quality programs; and audits and reviews by external entities.



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## Experience Rebate

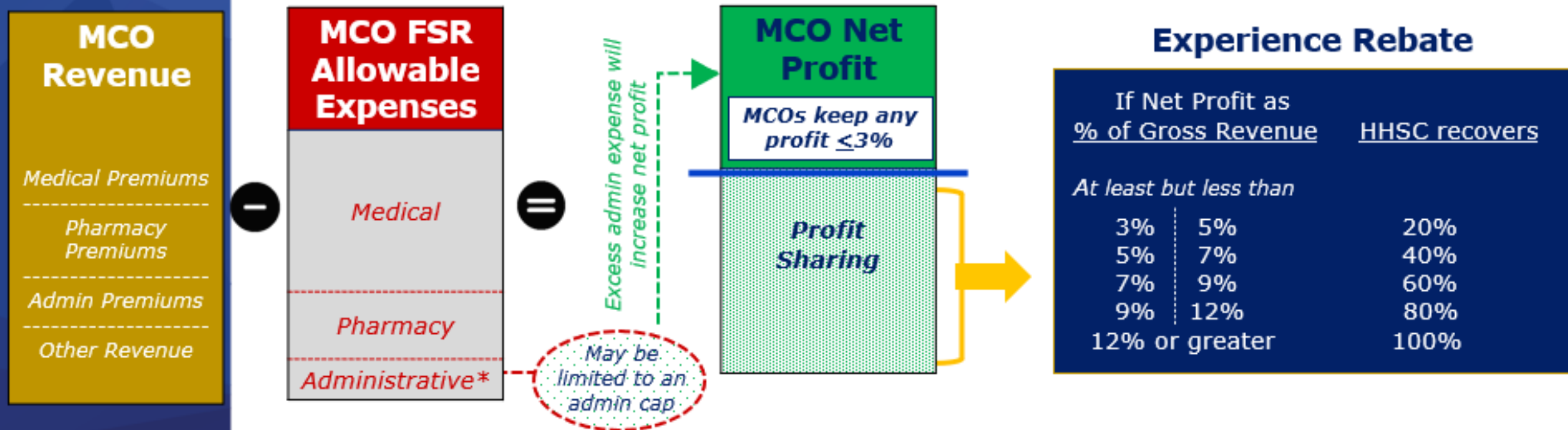
- What is the Experience Rebate?
  - HHSC contracts with MCOs require they share any profits in excess of 3 percent of revenue earned through the managed care program
- How is Experience Rebate determined?
  - Calculation is based on the MCO's consolidated financial performance as reported in their FSRs
  - Integrity of self-reported data is critical



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## Experience Rebate

- One of the major safeguards to ensure FISCAL responsibility
  - Caps on administrative expenses, conversions to income, and experience rebates on excessive profit





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## SFY 2018 - 2022 Experience Rebate – All MCOs, ALL Programs

	2018	2019	2020	2021	2022
<b>Gross Revenue</b>	\$24,012,015,665	\$25,253,950,474	\$27,005,929,341	\$32,573,611,964	\$38,860,232,064
<b>Profit before ER</b>	\$254,288,881	\$309,410,924	\$2,024,189,620	\$4,155,776,266	\$5,169,385,255
<b>Profit before ER %</b>	1.1%	1.2%	7.5%	12.8%	13.3%
<b>Experience Rebate</b>	\$23,635,568	\$13,066,271	\$527,713,135	\$1,901,272,479	\$3,442,048,448
<b>Profit after ER</b>	\$230,653,313	\$296,344,653	\$1,496,476,485	\$2,254,503,786	\$1,727,336,807
<b>Profit after ER %</b>	1.0%	1.2%	5.5%	6.9%	4.4%



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## Impact of Federal PHE and Profitability

- Lower utilization and continuous eligibility requirements has driven higher profitability for the plans
- Fiscal Years 2022 and 2023, HHSC modified Experience Rebate tiers and thresholds to allow maximum profitability to 4.6%
- HHSC anticipates that profitability will return to pre-PHE levels due to the ending of PHE.



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## Experience Rebate

- What happens to Experience Rebate?  
HHSC is appropriated Experience Rebate via LBB Method of Finance 0705 and 8054. HHSC disposition of the Experience Rebate funds includes the following:
  - the federal share is returned to the federal government by offsetting federal expenditures reported in the CMS 64 Report.
  - the non-federal share is returned to the state government by crediting HHSC's general revenue fund. These funds are then used to reduce the HHSC Medicaid shortfall.



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Questions?