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DOCUMENT HISTORY LOG

STATUS ¹	DOCUMENT REVISION ²	EFFECTIVE DATE	DESCRIPTION ³
Baseline	N/A	September 1, 2008	Initial version Uniform Managed Care Manual Chapter 5.3.11 Audit Reports.
Revision	1.1	June 1, 2010	Chapter 5.3.11 is revised to update the “Applicability” section to include the CHIP Dental Program, delete the ICM Program, and clarify the term “MCO.”
Revision	2.0	November 15, 2014	Revision 2.0 applies to contracts issued as a result of HHSC RFP numbers 529-06-0293, 529-08-0001, 529-10-0020, 529-12-0002, 529-12-0003, and 529-13-0042. Applicability is updated to include Medicaid Dental and to remove the CHIP Perinatal Program.
Revision	2.1	November 15, 2015	Revision 2.1 applies to contracts issued as a result of HHSC RFP numbers 529-08-0001, 529-10-0020, 529-12-0002, 529-12-0003, 529-13-0042, 529-13-0071, and 529-15-0001; and to Medicare-Medicaid Plans (MMPs) in the Dual Demonstration. Applicability is updated to add the STAR Kids Program and the Medicare-Medicaid Dual Demonstration.
<p>¹ Status should be represented as “Baseline” for initial issuances, “Revision” for changes to the Baseline version, and “Cancellation” for withdrawn versions.</p> <p>² Revisions should be numbered according to the version of the issuance and sequential numbering of the revision—e.g., “1.2” refers to the first version of the document and the second revision.</p> <p>³ Brief description of the changes to the document made in the revision.</p>			



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Applicability of Chapter 5.3.11

This chapter applies to Managed Care Organizations (MCOs) participating in the STAR Program, the STAR+PLUS Program (including the Medicare-Medicaid Dual Demonstration), the CHIP Program, the STAR Kids Program, and the STAR Health Program, and the Dental Contractors providing Children’s Medicaid and CHIP Dental Services to Members through dental health plans. In this chapter, references to “CHIP” or the “CHIP Managed Care Program(s)” apply to the CHIP Program and the CHIP Dental Contractors. References to “Medicaid” or the “Medicaid Managed Care Program(s)” apply to the STAR, STAR+PLUS, STAR Kids, and STAR Health Programs, and the Medicaid Dental Contractors. The term “MCO” includes health maintenance organizations (HMOs), exclusive provider organizations (EPOs), insurers, Dental Contractors, Medicare-Medicaid Plans (MMPs), and any other entities licensed or approved by the Texas Department of Insurance. The requirements in this chapter apply to all programs, except where noted.

Applicability is modified by Versions 1.1, 2.0, and 2.1

I. Definitions – for purposes of Chapter 5.3.11 only, the following terms mean:

“*Audit Reports*” is hereby defined in a broad sense, including but not limited to: financial audits; attestation engagements; compliance examinations; fraud assessments; assessments of legal and/or regulatory compliance; risk assessments; affiliate transaction assessments; disbursement audits or reviews; financial or fiscal inspections; other financially-related audits, and related reviews, reports, studies, analysis, and filings; and any related audit communications, including without limitation audit letters. The term includes Audit Reports conducted by or on behalf of, or administered to, the MCO, provided that any part of the Audit Report directly relates to the Relevant Business.

For the purposes of Chapter 5.3.11 only, “Audit Reports” do *not* include daily, weekly, or monthly claims audits; claims system audits; claims payment operational audits; audits for billing and coding errors; reports on claims, enrollment, or Member service activities; audits of non-affiliated Provider contracts; non-affiliated Provider-related reviews; network review audits; quality control audits; or quality improvement reviews.

“*External Audit Reports*” are Audit Reports that are conducted for use by outside parties, including without limitation the Securities and Exchange Commission, shareholders, creditors, rating entities, analysts, regulatory bodies, and/or prospective investors. External Audit Reports generally are prepared by an



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outside party, such as external audit firms, consultants, advisors, contractors, governmental bodies, or regulatory authorities. Typically, External Audit Reports are prepared to comply with laws, credit requirements, or regulations governing the MCO.

“Internal Audit Reports” are Audit Reports that are conducted primarily for purposes of internal MCO management use, and that are not disclosed outside the MCO. Internal Audit Reports are generally prepared by one or more employees of the MCO, such as internal audit departments; financial or accounting personnel; or internal analysts, staff, or management. Internal Audits may, however, be conducted by an external accounting firm, consultant, or other external entity retained by the MCO, if conducted for the MCO’s internal use only. An Audit Report that meets all the definitional requirements of being deemed an Internal Audit Report, with the one exception that the report is shared with a parent corporation, but is not otherwise distributed externally, shall be deemed an Internal Audit Report. Any Audit Report that does not meet the requirements to be deemed an Internal Audit Report shall be deemed an External Audit Report.

“Relevant Business” means the Texas STAR, STAR+PLUS, CHIP, CHIP Perinatal, STAR Health, and/or Integrated Care Management (ICM) Programs, and/or the Texas Medicaid or CHIP business.

II. Reporting Requirements –

- 1) *External Audit Reports*: The MCO must provide HHSC or its designee with copies of all External Audit Reports issued on or after the Effective Date of Chapter 5.3.11. The MCO must provide electronic copies of such External Audit Reports within 45 days of the issue date of the report. The MCO does not need to submit a draft version of External Audit Reports, provided that it completes a final version of such report within 45 days of the draft.
- 2) *Internal Audit Reports*: The MCO must notify HHSC or its designee of all Internal Audit Reports issued on or after the Effective Date of Chapter 5.3.11. The MCO must provide such notice, including the date of issuance and a general description of the audit’s topic, within 45 days after the report is issued. The MCO must make Internal Audit Reports available for review at its Texas office within five (5) business days of the deadline for providing the notice. If the MCO has more than one Texas office, HHSC may choose the facility for conducting the review. The MCO is not required to notify HHSC or its designee of a draft version of an Internal Audit Report if the final version is completed within 45 days of the draft.



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- 3) The MCO may redact or withhold those portions of Audit Reports that are privileged from discovery by a court order or under the Texas Rules of Civil Procedure, Texas Rules of Evidence, or other applicable state or federal law. The MCO must provide HHSC or its designee with a general written description of the redacted or withheld information, as well as the basis for the MCO's belief that such information is privileged from discovery.
- 4) The MCO may also redact or withhold those portions of Audit Reports that do not pertain in any way to the Relevant Business. In such case, the MCO must provide HHSC or its designee with a general written description of the redacted or withheld information.
- 5) If the MCO believes that all or a portion of the information provided pursuant to this requirement is confidential under applicable state or federal law, it should follow the procedures set forth in Attachment A to the Contract, "HHSC Uniform Managed Care Contract Terms and Conditions," Section 11.04, and mark or otherwise identify the information as "confidential." To the extent authorized by Texas law, HHSC will treat such information as confidential, and limit access to personnel HHSC deems necessary for the administration of this Agreement.
- 6) With a written exception from HHSC, the MCO will not be required to produce all or part of an Audit Report that the MCO judges to be either substantial in volume, repetitious in its periodic schedule, immaterial, or irrelevant. If the MCO requests an exception prior to the Audit Report's submission deadline, HHSC will suspend the deadline while considering the request.
- 7) The MCO may submit an Audit Report to HHSC with no change in format, if the MCO has already submitted the report to another state or Federal agency.
- 8) The MCO is not required to resubmit an Audit Report already submitted to HHSC, unless requested in writing by HHSC. In lieu of resubmission, the MCO must provide HHSC with the name of the Audit Report, the date submitted to HHSC, and the recipient's name.
- 9) The requirements set forth above do not, in any way, limit HHSC's rights under Contract Attachment A, "HHSC's Uniform Managed Care Contract Terms and Conditions," Article 9, "Audit and Financial Compliance" or any other section of the Contract.