



MEMORANDUM

TO: Health Care Commission
Steve Dechant
Sandy Praeger
Nancy Ruoff
John Staton
Dennis Taylor

FROM: Mike Michael

DATE: March 9, 2011

SUBJECT: **Recovery Audit Contract**

As we discussed at the February 9, 2011, Health Care Commission (HCC) meeting, House Substitute for Senate Bill No. 572 requires KHPA 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 that are responsible for the payment of medical or pharmacy claims, and that includes the State Employee Health Plan (SEHP). KHPA has entered into a contract with Health Data Insights (HDI) to provide the recovery audit contract (RAC) pilot program.

HDI will be auditing the SEHP's self-funded benefit programs for medical, prescription drug, and dental services. HDI will be receiving claims data from the last four years (back to January 2007) from each vendor to begin the process and will be providing ongoing audit services throughout the course of the contract. At the previous meeting, the HCC asked what the process would be for reviewing any audit disputes and who would have the final decision. The contract with HDI does not have a formal process in place for review of SEHP claim disputes. Therefore, we reached out to HDI and have clarified the appeals process. First level appeals will be handled by HDI. Second level appeals will be to the SEHP. For questions of medical fact or medical necessity, the SEHP will work through the external review process with the Kansas Insurance Department to obtain a third party review.

HDI is only paid when money is actually recovered. The contract provides the SEHP with a minimum recovery guarantee from HDI of \$1,125,000 for FY 2012 and \$1,275,000 for FY 2013. The audits are expected to begin by the end of FY 2011.