

New Audit of Passport Health Plan Shows Significant Improvements

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*Cabinet to extend current Passport contract for six months;
Solicit proposals for Managed Care in Region 3*

FRANKFORT, Ky. (May 29, 2012) –The Cabinet for Health and Family Services today released findings of a comprehensive financial audit of Passport Health Plan that show the program has made significant improvements in accountability and financial record-keeping since its last audit, and that patient satisfaction with the health care provider remains high.

“During the last 18 months, many improvements have been made and changes have occurred with regard to the operations and management of Passport,” said Cabinet Secretary Audrey Tayse Haynes. “In addition, the Cabinet’s Department for Medicaid Services has strengthened the oversight and monitoring requirements of Passport Health Plan through changes to the contract and is working collaboratively with the management of Passport to ensure the plan’s ongoing compliance.”

The new audit was ordered by Governor Steve Beshear after a November 2010 report by former Auditor of Public Accounts (APA) Crit Luallen found a lack of internal controls and transparency, governance issues, and excessive spending and conflicts of interest by former Passport officials.

In response to the APA’s findings, the Cabinet and Passport immediately put into place a corrective action plan to address these deficiencies. Included in Passport’s response to the corrective action plan, Passport appointed a new board chair and CEO, eliminated lobbying contracts, hired a chief compliance officer and an internal auditor, and instituted targeted financial examinations.

In early 2011, the Cabinet’s Department for Medicaid Services authorized a new, comprehensive assessment of Passport, including an examination of the efficiency and appropriateness of Passport’s expenditures to support its mission of providing quality, managed health care services to Medicaid members in Region 3.

That recently completed audit examined Passport and its major subcontractors to ensure taxpayer dollars used to provide Medicaid services in the 16-county Passport region are being spent to provide health care to Medicaid beneficiaries in an efficient, cost-effective manner.

Overall, the audit found that Passport has met or taken significant steps toward satisfying the requirements outlined in the Cabinet’s corrective action plan issued in December 2010.

About the Audit

The Department contracted with Myers and Stauffer CPAs to perform the comprehensive audit and report their findings and observations to the Department.

Specifically, Myers and Stauffer examined the business plans of Passport and its third party administrator, AmeriHealth Mercy; Passport's business operations, practices, compensation and expenditures; complaints and concerns regarding Passport and its subcontractors; business relationships between Passport board members and their employers; supplemental payments to and lines of business conducted by AmeriHealth Mercy and other Passport subcontractors; selection of and payments and incentives offered to subcontractors; as well as a detailed analysis of expenditures, grant awards and utilization practices of Passport.

Significant findings of the audit include:

- Passport members' satisfaction with the services they receive has consistently remained high.
- Passport did not properly oversee its subcontractors.
- AmeriHealth Mercy had significant influence over the daily operations and organization of Passport, including negotiating agreements with subcontracts that may have benefited AmeriHealth subsidiaries.
- Supplemental payments made by Passport were not well documented.
- Providers appear pleased with performance, and Passport seems to have few problems with denials, authorizations, or appeals processes for patients
- Issues with the University of Louisville's Practice Office Building should be thoroughly evaluated by the University's Audit Services group to include rental rates and ongoing funding of building operations.

Future Plans

Since 1997, the Cabinet's Department for Medicaid Services has contracted with Passport, a managed care organization, to provide Medicaid-covered services to approximately 180,000 Medicaid eligible members in Region 3, which includes Jefferson and 15 surrounding counties.

Earlier this year, the Centers for Medicaid and Medicare Services (CMS) advised the Cabinet that it will not renew the federal waiver under which Passport is the single managed care provider in Region 3. Beginning Jan. 1, 2013, CMS will require that there be competition, and that Medicaid recipients have a choice of managed care organizations in the 16 counties of Region 3. Medicaid recipients in the remaining 104 counties in the Commonwealth have a choice of three managed care organizations currently operating.

Passport's contract with the Cabinet expires on June 30, 2012. The current Passport waiver will expire on Dec. 31, 2012. The Cabinet intends to extend by six months the current Passport contract until Dec. 31, 2012, to coincide with the sunset of the waiver and provide a smooth transition to multiple providers as required by CMS. As required by state procurement law, the Cabinet plans to solicit proposals from managed care companies interested in offering services in Region 3 beginning Jan. 1, 2013. Passport could compete for participation in Region 3 along with other managed care organizations. The Cabinet plans to award contracts to the successful bidders in ample time to transition Region 3 to allow members to have a choice of providers and maintain continuity of care for members.

A copy of the audit may be found here: <http://chfs.ky.gov/dms>.

Kentuckians.

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